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# United States Senate

COMMITTEE ON  
AGRICULTURE, NUTRITION AND FORESTRY

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November 15, 2011

The Honorable Gary Gensler  
Chairman  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street NW  
Washington, DC 20581

Dear Chairman Gensler:

Recent events surrounding the bankruptcy of MF Global, Inc. raise significant concerns. Given the role of the CFTC in regulating these markets and market participants, I am writing to ask for additional information from you and to convey how important it is for the Commission and the Senate Committee on Agriculture, Nutrition and Forestry to monitor and critically evaluate this situation as it continues to unfold.

We ask that you and others move quickly on investigations. While it is important to carefully gather the facts, we already know that MF Global was taking extraordinary risks and that this event has been highly disruptive. In addition to the uncertainty MF Global's bankruptcy has created in the marketplace and the burden it has placed on customers of MF Global, including farmers and ranchers from around the country, the bankruptcy raises a number of questions including the dangers of excessive leverage, the adequacy of existing protections, and the exposures our economy may have to events around the globe. As we saw in 2008, these types of market disruptions have the potential to spread and can lead to devastating economic consequences and job losses.

In the near term, it is paramount that the Commission takes whatever steps are necessary to ensure that segregated customer funds are fully protected and restore confidence in the Commission's oversight of registered market participants. That funds are missing highlights an extraordinary breach of trust – it is unacceptable that there are any doubts about the safety of customer assets. Whether the funds are discovered or not, unsuspecting customers have been scrambling to recover their money, meet margin obligations, and hedge risks.

To that end, what is the Commission presently doing to monitor and protect segregated customer funds? What additional steps should the Commission take to protect those funds? Do Commission rules allow segregated customer funds to be invested without the consent of those customers? Also, it is important that the appropriate authorities are communicating frequently and clearly with the customers most impacted by MF Global's failure - I encourage the CFTC and others to do so.

Second, as we continue to monitor the situation, our Committee must better understand whether bankruptcies such as this one are preventable. The situation generally raises a number of questions about the varying regulatory responsibilities within these markets. Are the scope and frequency of audits sufficient to understand the full exposure of firms like MF Global and the risks they may pose to the markets? Given this situation, and the role of Self-Regulatory Organizations (SRO) like the CME in overseeing entities like MF Global, is the SRO model functioning properly? What could be done about firms that are excessively leveraged? Finally, is the CFTC actively monitoring the exposure of market participants to the European debt crisis and its potential implications for the U.S. economy?

We also ask that you consider, and convey to the members of this Committee, any other measures that would restore market confidence, reduce dangerous exposures of systemically significant market participants, protect consumers, and preserve the integrity of the markets.

Finally, I would like to commend you for recusing yourself from the CFTC's inquiry into MF Global. Your decision to avoid the appearance of impropriety serves to enhance the integrity of the Commission's inquiry. We look forward to your response on these broader questions about regulatory oversight of situations like MF Global. In the coming weeks, I will hold a hearing on the oversight of our financial markets which will provide us with an opportunity to continue this dialogue and evaluate the authority and resources of the Commission. Thank you for your commitment to regulatory reform, and your time and attention to these matters.

Sincerely,



Sen. Debbie Stabenow, D-MI  
Chairwoman  
U.S. Senate Committee on Agriculture Nutrition and Forestry