



### **Commodity Futures Trading Corporation (CFTC)**

**Issue Summary:** *Farmers are at the core of our rural economy and help drive our nation's recovery during difficult economic times. Commodity price bubbles or sudden market collapse are difficult for farmers to weather. To hedge against this risk producers have utilized commodities futures and options markets. Congress created the Commodity Futures Trading Corporation to oversee stability of these markets in order to protect America's farmers.*

- Through the Commodity Futures Trading Commissions Act of 1974, Congress converted the Department of Agriculture's Commodity Exchange Authority into the CFTC as an independent agency.
- Initially, CFTC oversaw agricultural commodities, such as wheat, corn, and cotton. Now, CFTC also oversees various commodities including energy and metal commodities, like crude oil, gasoline, copper, and gold, and contracts on financial products, such as interest rates, foreign currency, and stock indexes. In fact, most derivatives trading today relate to financial variables and participants in these markets have no actual involvement in agriculture.
- Congress tasked CFTC with promoting efficient and competitive futures markets while protecting market participants, like farmers, against manipulation, abusive trade practices, and fraud.
- Traditionally, CFTC regulated only the exchange of futures and options. Futures are a contract that obligates the buyer to purchase an asset at a predetermined future date and price. Options are contracts sold by one party to another party that gives the buyer the right, but not the obligation to buy or sell a security or other financial assets at an agreed-upon price during a certain period of time or on a specific date.
- After the financial collapse in 2008, Congress passed the Dodd-Frank Act of 2010, which expanded CFTC's authority to cover swap markets. Swaps are the exchange of one security, like a stock, bond, or option, for another to change the maturity, quality of issue, or because of investment objectives. Banks, corporations, and investment firms use swaps for risk management purposes.
- Clear and transparent operation of futures and swap markets are essential to the Nation's economy. Farmers, ranchers, and producers use these markets to lock in a price or a rate so they can focus on what they do best—producing the food, fiber, and fuel we consume each day.