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Ryan Grim DECEMBER 13, 2009

Truckers, Farmers, Airlines Battle Wall Street

A broad coalition of businesses and organizations that use derivatives to legitimately hedge risks associated with their operations came out Thursday in favor of a range of Democratic amendments to the financial regulatory overhaul bill on the House floor.

The small businesses -- known as "end users" -- are calling for tighter regulation of derivatives and demanding that they be traded in the open on regulated exchanges. Under current law, hundreds of trillions of dollars of derivatives are traded in "dark pools" -- meaning investors and regulators have little idea what's going on in the aggregate. That uncertainty was a major driver of the financial collapse, as investors lost faith in the derivatives market.

The opacity also allows for manipulation by speculators; the 2008 gas-price hike being the most vivid example. Such manipulation explains why groups such as the American Truckers Association are calling for greater transparency.

Wall Street banks, which dominate the derivatives market, have [strongly attempted to persuade](#) end users to lobby Congress on their behalf.

Some were not convinced.

The members of the Commodity Markets Oversight Coalition are just the type of businesses and organizations that have popular appeal with lawmakers: the South Dakota Petroleum & Propane Marketers Association, Tennessee Oil Marketers Association, United Egg Producers, Utah Petroleum Marketers & Retailers Association, **Vermont Fuel Dealers Association**, Western Peanut Growers, West Virginia Oil Marketers & Grocers Association, to name a few.

The smaller businesses are joined by big ones, too. The Agricultural Retailers Association, Air Transport Association, National Farmers Union and other major groups joined the truckers in pushing for greater regulation.

The letter represents a split between end users and their dealers and brokers on Wall Street.

Story continues below ↕

"We are hopeful you will send the Senate strong, pragmatic legislation that will bring light to opaque, unregulated or under-regulated markets and market activity, close the door on potential fraud and manipulation, and give federal regulators the tools they need to prevent financial speculation from driving food and energy prices," they write.

"Such action is essential to rebuilding confidence in these markets as price discovery and risk management tools for bona-fide physical hedgers, to reducing systemic risk and market volatility, and helping to prevent further destabilization of our nation's economic recovery."

Read the full letter:

December 10, 2009

U.S. House of Representatives
United States Capitol Building
Washington, DC 20515

Dear Representative:

The undersigned members of the Commodity Markets Oversight Coalition would like to extend its gratitude to Representative Collin Peterson of Minnesota, Chairman of the House Agriculture Committee, and members of his committee, for the hard work and efforts necessary to bring the over-the-counter (OTC) derivatives legislation, which is apart of H.R.4173, the Wall Street Reform and Consumer Protection Act of 2009, to the House floor this week.

Both Chairman Peterson and House Financial Services Chairman Barney Frank and the members of their committees are to be commended on their efforts towards meaningful reform of the commodities futures/swaps markets. As members of Congress are well aware, our coalition has since early 2007 advocated for legislation to bring about greater transparency, oversight and accountability in these markets and to empower federal regulators with the authority and resources to protect against fraud, manipulation and excessive speculation.

In light of this, we urge your support for the following floor amendments to H.R. 4173 that will help to strengthen this legislation:

#47 (Rep. Stupak) - Would require transparency in swaps contracts by requiring all non-cleared swaps be executed on a registered swap execution facility.

#48 (Reps. Stupak, DeLauro, Larson, Van Hollen) - Would give the Commodity Futures Trading Commission and the Securities and Exchange Commission the authority to ban abusive swaps, amends any proposed commercial risk definition to disregard balance sheet risk, and maintains any illegal swap entered into after enactment of this Act will not be valid.

#114 (Rep. Peterson) - Would provide for the CFTC to define the terms "commercial risk," "operating risk," and "balance sheet risk" for purposes of the Commodity Exchange Act.

#115 (Reps. Peterson and Frank) - Would provide for position limits for physical commodities, clearing of over-the counter transactions, increased transparency, reporting, and recordkeeping, and transparency of offshore trading. It also addresses jurisdictional issues in the context of swaps by providing for CFTC jurisdiction over swaps and SEC jurisdiction over swaps that are primarily based on securities (or narrow-based security indexes). These two agencies are required to consult with each other and with banking regulators before regulating.

#135 (Rep. Lynch) - Prohibits swaps dealers from controlling more than 20% of an exchange. Provides rules toward the equitable governance of clearing houses and swap exchange facilities.

We are hopeful you will send the Senate strong, pragmatic legislation that will bring light to opaque, unregulated or under-regulated markets and market activity, close the door on potential fraud and manipulation, and give federal regulators the tools they need to prevent financial speculation from driving food and energy prices.

Such action is essential to rebuilding confidence in these markets as price discovery and risk management tools for bona-fide physical hedgers, to reducing systemic risk and market volatility, and helping to prevent further destabilization of our nation's economic recovery.

Sincerely,

Agricultural Retailers Association

Air Transport Association

American Feed Industry Association

American Cotton Shippers Association

American Truckers Association

Arkansas Oil Marketers Association

Colorado/Wyoming Petroleum Marketers Association

Columban Center for Advocacy and Outreach

California Independent Oil Marketers Association

Florida Petroleum Marketers Association

Food & Water Watch

Friends of the Earth

Fuel Merchants Association of New Jersey

Gasoline and Automotive Service Dealers of America

Independent Connecticut Petroleum Association

Institute for Agriculture and Trade Policy

Illinois Petroleum Marketers Association

Illinois Association of Convenience Stores

Latino Farmers Association
Louisiana Oil Marketers & Convenience Store Association
Maine Energy Marketers Association
Maryknoll Office for Global Concerns
Massachusetts Oilheat Council
Mid-Atlantic Petroleum Distributors' Association
Missionary Oblates - Justice, Peace & Integrity of Creation
Montana Petroleum Marketers & Convenience Store Association
National Association of Oilheating Service Managers
National Association of Truck Stop Operators
National Family Farm Coalition
National Farmers Union
National Grange
Nebraska Petroleum Marketers & Convenience Store Association
New England Fuel Institute
New Jersey Citizen Action Oil Group
New Mexico Petroleum Marketers Association
New York Oil Heating Association
North Dakota Petroleum Marketers Association
Ohio Petroleum Marketers & Convenience Store Association
Oil Heat Council of New Hampshire
Oil Heat Institute of Long Island
Oil Heat Institute of Rhode Island
Organization for Competitive Markets
Petroleum Marketers Association of America
Petroleum Marketers & Convenience Stores of Iowa
Petroleum Marketers & Convenience Store Association of Kansas
Propane Gas Association of New England
Public Citizen
R-CALF USA
South Dakota Petroleum & Propane Marketers Association
Tennessee Oil Marketers Association
United Egg Producers
Utah Petroleum Marketers & Retailers Association
Vermont Fuel Dealers Association
Western Peanut Growers
West Virginia Oil Marketers & Grocers Association

Cc: The Hon. Gary Gensler, Chairman, U.S. Commodity Futures Trading Commission
The Hon. Michael Dunn, Commissioner, U.S. Commodity Futures Trading Commission

The Hon. Jill Sommers, Commissioner, U.S. Commodity Futures Trading Commission
The Hon. Bart Chilton, Commissioner, U.S. Commodity Futures Trading Commission
The Hon. Scott O'Malia, Commissioner, U.S. Commodity Futures Trading Commission