

Wall Street Fights to Keep Commodities Casino Alive

One day after the head of the Commodities Futures Trading Commission backed an appeal of a court's decision to block a key rule in the Dodd-Frank Wall Street reform legislation, four key House Democrats threw their own weight behind appealing the ruling. The rule in question deals with "position limits" that would control the amount of contracts Wall Street traders and others could hold in key commodities like energy and grain.

In a letter to CFTC Chairman Gary Gensler, Reps. Ed Markey (D-Mass.), Rosa DeLauro (D-Conn.), and Peter Welch (D-Vt.), the three House Democrats call position limits "one of the cornerstones of the new regulatory regime established by Dodd-Frank." The full letter is available [HERE](#). [LINK]

"Not only is the court's decision going to damage the stability of our commodities markets, it is also incorrect as a matter of law," write the lawmakers. "Position limits are key to restoring stability and sanity to our commodities markets. It is paramount that the CFTC appeal this decision to the D.C. Circuit at the earliest opportunity so that the necessary market controls are put in place to curb the influence of Wall Street speculators in our commodities market."

In section 737 of Dodd-Frank, Congress stated that "the Commission shall by rule, regulation, or order establish limits on the amount of positions, as appropriate, other than bona fide hedge positions, that may be held by any person with respect to contracts of sale for future delivery or with respect to options on the contracts or commodities traded on or subject to the rules of a designated contract market."

Position limits are vital to control the wild swings seen in commodities like oil, where fewer trading houses have held increasingly vast amounts of commodities contracts. For example, at one point during July 2008, when crude oil prices reached an all-time high of \$145 per barrel, eleven percent of all oil contracts on the New York Mercantile Exchange were held by just one company: Swiss energy conglomerate Vitol.