



## Consumer Federation of America

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**Contact:** Barbara Roper  
(719) 543-9468

### **Statement of CFA Director of Investor Protection Barbara Roper on Changes to Draft Agriculture Committee Derivatives Legislation**

Even before the House Agriculture Committee had begun its mark-up of legislation to reform the over-the-counter derivatives market, changes had been made to the manager's amendment that CFA Director of Investor Protection Barbara Roper said fatally weaken the bill.

Most importantly, the recent draft circulated by Committee Chairman Collin Peterson would have required that all standardized derivatives contracts involving the largest financial institutions be centrally cleared. That language, which would have covered the bulk of the standardized market, has now been removed. Instead, much like the version of the bill approved in the House Financial Services Committee last week, the manager's amendment now provides a broad exemption for contracts where one party to the contract is using the derivative to "manage risk." Mandatory central clearing is the basic reform that is essential to eliminate the potential for the failure of a single institution – such as Lehman Brothers or AIG – to bring down the entire financial system.

"While Chairman Peterson deserves credit for trying to pass a stronger bill, apparently there 'just aren't the votes' in Congress to fix the problems that brought the global economy to the brink of collapse," Roper said. "With Wall Street pulling out the stops to gut the bill, Congress appears all too willing to renege on the promise it made when it called on American taxpayers to bail out the big banks: that in return it would adopt the comprehensive reform that was needed to prevent a recurrence."

"After all we have been through, mandatory central clearing of standardized derivatives should be a given," Roper said. "In the immediate wake of the market's collapse, it looked as though the only debate would be over whether we would also get mandatory exchange trading of standardized contracts (a must for meaningful price competition) and how big the exemption for customized contracts would be. Now, we are back to square one, the big banks are back in the driver's seat, and the prospects for meaningful reform grow dimmer every day."

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The Consumer Federation of America (CFA) is a non-profit association of approximately 280 national, state and local pro-consumer organizations. It was founded in 1968 to advance the consumer interest through research, education, and advocacy.