



A CME/Chicago Board of Trade Company

**Statement of
Terrence A. Duffy
Executive Chairman of CME Group Inc.
Before the
United States Senate
Subcommittee on Financial Services and General Government
Of The
Committee on Appropriations
In Joint Session With The
Committee on Agriculture, Nutrition, and Forestry
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I am Terrence Duffy, Executive Chairman of CME Group Inc. Thank you, Chairmen Durbin and Harkin and Ranking Members Brownback and Chambliss for this opportunity to present our views.

CME Group was formed by the 2007 merger of Chicago Mercantile Exchange Holdings Inc. and CBOT Holdings Inc.

CME Group is the parent of CME Inc. and The Board of Trade of the City of Chicago Inc. CME Group also owns Swapstream Operating Services Limited, an OTC trading facility, and owns an interest in FXMarketspace Limited, an FX trading platform that is authorized and regulated by the Financial Services Authority.

CME Group offers a neutral market place. We serve the global risk management needs of our customers. Our agricultural markets also provide

important price discovery that producers and processors rely on to make economic decisions. We do not profit from higher food or energy prices.

Our Congressionally mandated role is to operate fair markets that foster price discovery and the hedging of economic risks in a transparent, self-regulated environment, overseen by the CFTC.

CME Group provides a comprehensive selection of benchmark products across all major asset classes, including futures and options based on interest rates, equity indexes, foreign exchange, agricultural commodities, ethanol, and alternative investment products such as weather and real estate. We also offer order routing, execution and clearing services to other exchanges.

We unequivocally support your efforts to materially improve the enforcement capabilities of the CFTC and to do so in a manner that does not increase the costs of trading on fully regulated U.S. contract markets. We are enthusiastic supporters of broadly expanding the mandatory reporting of energy trading and position information to the Commission.

We believe that disclosure of trading and position information to a regulator with sufficient resources to analyze and act on unusual or suspicious activities will deter most potential manipulators and assure punishment of those foolish enough to attempt a manipulation when all of their actions are visible to the regulator.

This is the philosophy upon which our internal market regulation has been based and why it has been so successful.

We also clearly understand that the recent surge in the prices of many commodities, particularly energy, has inspired Congress to look for assurance that the only price drivers are legitimate supply and demand factors.

On that note, we have all witnessed the flooding crisis in Iowa and other Midwestern towns. We offer our sympathies to the victims and their families who are being displaced by these extreme weather conditions.

Obviously, weather and other fundamentals at play are pressuring the prices of agricultural commodities.

Some, however, who claim expertise or special knowledge, have asserted that price inflation is caused by speculators, and/or passive index funds, that have invested billions in commodity contracts. The more cautious critics have suggested that there may be a froth of inflation caused by speculation.

Our careful, up-to-date evaluation of market participants and trading patterns in the commodities traded at CME Group are to the contrary. I will explain our findings and conclusions in my written testimony.

We also will be placing relevant information on our website, which will permit others to review our findings to date, respecting the impact of speculation on our markets.

Our economists make convincing arguments that neither speculators nor index funds are distorting commodity prices.

As you can see from the attached slide... corn prices have increased more than 158 percent during the last two years, while index fund participation has declined slightly, from 15% of open interest to 12%.

In the second slide, which shows corn prices and the positions of non-commercials since the beginning of this year, the percentage of open interest held by non-commercials has declined as corn prices have continued to rise.

Previous studies have concluded that speculation has not been responsible for any significant, persistent volatility in futures markets. Nonetheless, we are strong proponents of securing all of the relevant information from all sources and fairly testing the hypothesis and reconfirming previous academic studies.

While we expect that the evidence respecting the impact of speculation and index trading in energy markets will parallel the results we have found in our own markets, we agree that there is no reason to rely entirely on economic theory when the data is or can be made available.

We support the CFTC's and Congress's efforts to secure this data and to assure that a thorough analysis informs any subsequent legislative or administrative efforts to deal with uneconomic price inflation.

I want to thank you for your time and attention this morning. I look forward to answering any questions you may have.