U.S. Commodity Futures Trading Commission
Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581

Walter L. Lukken
Acting Chairman

(202) 418-5014
(202) 418-5550 Facsimile
wlukken@cftc.gov

June 20, 2008

The Honorable John Dingell
Chairman
U.S. House of Representatives
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Bart Stupak
Chairman of the Subcommittee on Oversight and Investigations
U.S. House of Representatives
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Dingell and Subcommittee Chairman Stupak:

Thank you for your June 17, 2008 letter requesting additional information from the Commodity Futures Trading Commission (CFTC or Commission) concerning crude oil trading and related regulatory issues. Attached is the data requested with certain information marked confidential and non-public due to its market sensitivity.

I share your desire for the utmost transparency and integrity in the energy futures markets, and the Commission is devoting all available agency resources to fulfilling our mandate to protect and ensure the integrity of the commodity futures and options markets.

As prices in the energy and agriculture commodity markets have escalated in recent months, the CFTC has pursued an active agenda to ensure that the commodity futures markets are operating free of distortion as the agency looks to better understand the implications of these structural market developments.

As discussed in your letter, the growth of sovereign wealth funds and their collective investment in U.S. markets is an issue of interest to a number of U.S. regulators. The Commission's surveillance staff has not observed any positions of sovereign wealth funds in the data received to date on the ICE Futures Europe crude oil contract. On NYMEX, staff has observed one sovereign wealth fund with reportable positions in crude oil, and unleaded gasoline, and with smaller positions in heating oil, and RBOB gasoline blendstock. If in the future additional sovereign wealth funds were directly to hold reportable positions, they would be identified in the Commission's large trader reporting for NYMEX as well as in the large trader information received from the U.K. Financial Services Authority for the ICE Futures Europe crude oil contract. The agency will continue to monitor and analyze this evolving piece of the marketplace.

In addition, the agency shares your interest in obtaining more information about the possible impact of the recent influx of index traders in the commodity markets. On May 29, 2008, the Commission announced several initiatives to gather additional information from the energy futures markets, including information from index traders and swap dealers. The Commission has issued special calls to swaps dealers requiring them to provide information on their "book" of OTC derivative transactions, including commodity index transactions.

After receiving this data, the Commission's staff will analyze it for a variety of purposes, including whether commodity index traders are properly classified for regulatory and reporting purposes. In addition, if the data includes new information about sovereign wealth fund investments in commodity futures markets that requires further steps, we will act accordingly. The Commission will provide a report to Congress by September 15, 2008 regarding the scope of commodity index trading in the futures markets and recommendations for improved practices and controls, should they be required.

I look forward to the upcoming June 23 hearing with the Energy and Commerce Subcommittee on Oversight and Investigations to discuss these important matters. I appreciate your understanding of the sensitivity surrounding the confidential information provided. Please do not hesitate to contact us if we can be of further assistance, and thank you for your ongoing attention to these important issues.

Sincerely,

Walt Lukken

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable John Shimkus, Ranking Member
Subcommittee on Oversight and Investigations

The Honorable Michael Dunn, Commissioner
Commodity Futures Trading Commission

The Honorable Jill Sommers, Commissioner
Commodity Futures Trading Commission

The Honorable Bart Chilton, Commissioner
Commodity Futures Trading Commission