THE BROOKINGS INSTITUTION

SAUL AUDITORIUM

THE FUTURE OF FINANCIAL SERVICES REGULATION: A CONVERSATION WITH CFTC COMMISSIONER CHRISTY GOLDSMITH ROMERO

Washington, D.C.

Wednesday, March 1, 2023

This is an automated transcript that has been minimally reviewed. Please check against the recording for accuracy. If you find any significant errors of substance, please let us know at events@brookings.edu

WELCOME AND MODERATOR:

AARON KLEIN
Miriam K. Carliner Chair and Senior Fellow, Center on Regulation and Markets, The Brookings Institution

FEATURED SPEAKER:

CHRISTY GOLDSMITH ROMERO
Commissioner, Commodity Futures Trading Commission

* * * * *

KLEIN: Good afternoon. I'm Aaron Klein, I'm the Miriam K. Carliner Chair and Senior Fellow in Economic Studies at the Brookings Institution, and it's my pleasure on behalf of the Center on Regulation and Markets to welcome you here to the fifth in our series of The Future of Financial Regulation. Today we will be having a conversation with CFTC Commissioner Christy Goldsmith Romero, whom I'll introduce in a moment. But I want to start the conversation by anchoring why this is particularly important. uh... America is unique in many aspects one of which is that we divide the regulation of markets between stocks and bonds and between commodities and futures derivatives between two different regulators this has its roots one of the oldest political and economic divisions in America between banks and farmers.

Farmers, for obvious reasons, always needed credit, since they had a seasonal product and source of income. And bankers were the ones who lent to the farmers for good times and for bad, taking risk and exposure, depending on how the crop went. And over the time, this fight between bankers and farmers has shaped much. Of modern America in ways that we may not appreciate uh... One of which is to carve out the regulation of commodities which later included derivatives futures and options and may going forward to a greater extent include crypto currency bitcoin and other cryptos who display a lot of functions that make them think more like commodities like digital gold, so to speak. Than like a stock or a bond, a value of a company and a security. I'm not a lawyer to wade into this. In fact, Congress is currently considering legislation right now on that. But what I will point out is that the futures and commodities regulation has shaped all of our daily life.

Everybody here who booked a flight for a summer vacation or is going to book one for Thanksgiving or Christmas. You're going to book that flight with a known price today, even though when the airline takes off, it may not know how much it's spending for fuel, in part because there's a viable futures and commodities market that lets businesses price what their future risk and exposure is and translate it into consumers so that you know what you're paying now, regardless. This function of this market may seem very esoteric, and let me tell you, there are a lot of people in Wall Street that make it sound really complicated and get a lot money off that. But the basic point is that this market needs to be regulated and regulated wisely. And for that, America owes a great debt to the CFTC, including to Commissioner Goldsmith Romero.

And before joining the CFTC, she's had an illustrious career. She served with amazing distinction as a Special Inspector General for the Troubled Asset Relief Programmer, TARP. Uh... Which is basically the program that helped save and stabilize our banking system in our national economy after the financial crisis of two thousand and eight in addition to being the special inspector general uh... Safeguarding taxpayer money and prosecuting criminal wrongdoing she served before that as a senior counsel on the securities and exchange commission, served as a clerk and the judge, for a judge, and has devoted her career. To advancing the integrity and well-functioning of markets while safeguarding and protecting consumers. And with that illustrious career, her service and tenure of distinction is a great honor and privilege for me to welcome her up to the stage for some remarks, after which we will start a conversation. So, Commissioner.

ROMERO: Thank you to Brookings for inviting me to give my farewell remarks as I depart from the commission and I'm going to retire from 23 years of federal service. So, for the last time, I will give my disclaimer that the views I'm going to give are my own as a commissioner and do not necessarily reflect the views of the commission or my fellow commissioners. I've been reflecting on my public service under four presidents and today I'm feeling nostalgic because I have had such a good run. I want to express my gratitude to so many. First off, my wife and children. My wife is here today. I'm also grateful to President Biden and President Obama for believing and trusting me with three presidential nominations. I'm grateful for the senators in both parties who actively supported me and unanimously confirmed me twice.

I'm grateful for all the leaders with which I've had the privilege to serve, including my fellow commissioners. I'm thankful to all my staff, the hundreds of people who have worked for me and put their trust in my leadership. Never could I have planned or envisioned such a meaningful and fulfilling career. All I knew was that I had a passion to make a difference in our financial system so that it served everyone, not just powerful interests. And along the way, I learned from each of the leaders I worked for, my SEC enforcement leaders, SEC chairs Chris Cox and Mary Shapiro, and at Treasury, Neil Barofsky, who was the first Special Inspector General for TARP, or SIGTARP before me. Never could I have imagined that my work would get the notice of President Obama, who appointed me as the SIGTARP in 2012. I can share, it was entirely daunting to be a 41-year-old career staffer sitting on the same Senate banking confirmation panel with Jay Powell. Of course, that meant I did not get many questions. But don't worry, Senate banking would make up for that this past summer when I got two plus hours of questions in my confirmation hearing to be the FDIC chairman. At SIGTARP, I was forged by fire, as were all of us who worked to strengthen the financial crisis, the financial system in the wake of the 2008 financial crisis. And former FDIC Chair Sheila Baer supported me for FDIC Chair this summer, drawing on the work that we did during the financial crisis.

Last year I was at Treasury and I ran into former Treasury Secretary Paulson who remembered me and he said, those were the days. Look at what we did for the economy. SIGTARP is also where I honed my leadership of white-collar law enforcement. We work closely with DOJ to bring justice and accountability to just about every major Wall Street financial institution and 465 criminal defendants. This includes 76 bankers who courts sentenced to prison for crisis-related crimes. I continue to feel tremendous affection and gratitude to all those who served at SIGTARP as I learned invaluable lessons about how to lead an organization. SIGTARP is also where I found my voice and the courage to speak truth to power. It was a necessity when testifying before Congress and meeting with Treasury Secretaries, Federal Reserve chair, the FDIC chair, and attorneys general.

As SIGTARP was winding down, I was fortunate to be contacted by several senators and President Biden's White House about a possible next appointment. And various financial regulators were discussed, and I raised the possibility of the CFTC. First, I had always enjoyed being a market regulator. And second, I was interested in climate-related financial issues, and the chairman had sponsored a climate report and was speaking a lot on climate issues. Third, the CFDC was the only regulator of cryptocurrency trading, and I had been teaching cryptocurrency regulation at two law schools. As a commissioner, I was able to prioritize all three of these areas, broadening crypto out to technology as I sponsored the Technology Advisory Committee. The accomplishment that I'm most proud about in my tenure is that derivatives markets worked well, that they remained resilient and vibrant and had integrity.

Since my testimony at my CFTC confirmation hearing in 2022, I have always said, that ensuring that markets worked well would be my highest priority. This was so critical because the markets the CFTC regulates tie directly to the economy. That tie is something I have had the privilege to see firsthand. What incredible experiences I've had to get out of Washington, go on agricultural tours and energy tours, to meet with people who are feeding and fueling our world.

To truly understand the way markets work, you have to engage with those who rely on those markets and who need them the most. I'm also proud of the Technology Advisory Committee for its work on future finance issues. I'm grateful for the committee members who we picked because they were well-regarded experts in cryptocurrency, stablecoin, AI, blockchain, cyber, and fintech, and who from all different viewpoints. We held public forums and the committee issued two landmark reports, the first on decentralized finance and the second on responsible AI in financial markets. As I contemplate the future of financial services regulation, my thoughts keep returning to an area that I speak a lot about, promoting market resilience. Resilience is defined as the ability to bounce back quickly from setbacks. U.S. Markets. And global markets have and will continue to experience periods of volatility and stress. I arrived at the Commission in early 2022 in a time of geopolitical uncertainty.

The economy was recovering from the pandemic, suffering supply chain disruption, and oil and gas markets were at record high levels of volatility, and prices after the start of Russia's war with Ukraine. Fortunately, what I found was that the post-crisis reforms through the Dodd-Frank Act other regulation and regulatory supervision have built up resilience. As a result, our markets have withstood significant stress and volatility, including last month, and our economy has been better for it. As the current administration pursues a deregulatory agenda in the name of growth, care should be taken not to remove the load bearing resilience built into our markets. Resilience that has resulted in financial stability and protected our economy. Regulators should not have to sacrifice growth for financial stability. These are not mutually exclusive goals and regulators should promote both.

Growth is important for markets. Growth requires a regulatory environment where markets are financially stable and resilient during times of volatility, uncertainty, and stress. I am concerned about big swings between more regulation and deregulation with each change of party in the White House. This leads to uncertainty in markets. It would be better for our markets and financial system if regulators could follow a steady, consistent path. That would create the foundation for a resilient stable and vibrant financial system and economy. It's a really tough challenge, one that requires independent regulators engaging with each other on a bipartisan basis and engaging with many stakeholders who use and need U.S. Markets. I plan to continue to share my voice, and I will always be rooting for the CFTC. After all, you can take the girl out of public service, but you can't take public service out of the girl.

KLEIN: Thank you for those wonderful remarks. You know, I often think that they're only two occupations that anybody ever says they have a calling for. One is public service, the other’s divinity. I’ve never met anybody told me they had a calling to be an investment banker. And you know I often thing about President Kennedy’s comment, not ask not what your country can do for but what you can do for your country and you've done an awful lot.

ROMERO: Thank you.

KLEIN: Uh... Your services is legendary and has made a tremendous difference and we'll talk about that but this is Washington and so what have you done for me lately okay what's happening right now and where we going right now on the floor of the united states senate is legislation regarding stable points As you point out one of your hallmarks on your tenure as commissioner has been being the sponsor of the technology advisory committee where you've looked at crypto currencies, digital assets, you've thought deeply about what that regulation should be. It's been front and center whether that regulation should be at the CFTC, whether it should be the SEC, what should be role of the Federal Reserve, and while this may sound like alphabet soup to many people, the culture and outlook of these different agencies where the it lies can be a remarkable impact on the future of things.

So, I'm gonna ask you a couple questions on this. And the first one may be the hardest, which is put away what your opinion is, what you think is a good or a bad idea. But let's prognosticate a little bit about the future, right, we're here about the future of financial regulation. Where do you think Congress is going with regulation on crypto?

ROMERO: Well, first of all, I have been a proponent of Congress to come out with legislation on digital assets. I mean, if it's going to trade, it should be regulated. I'm a regulator, so that shouldn't be a surprise. So, I would say one of the problems that we have is that Bitcoin, Ether, and other spot crypto assets are not regulated, and people think they are. And we see a lot of times people getting scammed or we see companies who wanna engage in this space and it's not regulated and they want to come to the United States and do that. So, we start with that, which is affectionately on the hill called market structure.

And this is the bill that has been kicking around and got pretty far on a bipartisan basis, I think in the last Congress, that would divide up jurisdiction between the SEC and the CFTC. And so, there's a new version of that. I think that's gonna take a little bit longer as these things always do because it involves two different committees on the Hill, right? It involves, as you said, the Senate banking, it involves Senate agriculture. And then the same is true in the House.

KLEIN: This is that divide between farmers for whom the Commodities Commission still reports to the Senate Agriculture Committee and banking for which the Securities and Exchange, Federal Reserve and other people were over to banking. Full disclosure, I worked on that committee for eight and a half years, so I'm always rooting for banking, just like you're always rooting for CFTC.

ROMERO: Yeah, I mean, I worked at the SEC. I root for the CFTC, I root for the SEC, what I root for is regulation that makes sense. So, I think they'll get there. Bitcoin is a commodity, ether is a commodity, so in its purest form, the trading of it is not something that the SEC would normally cover, but they'd cover other things. And they're gonna cover exchanges, and we're gonna to cover exchanges and clearing houses and brokers.

So, all that's gonna happen. And then stable coin is the other one. And I think that one's farther along. And this is really interesting, because this is where a lot of the financial institutions want to get involved. And the financial institution, a lot them very much want to have stable coin legislation so that they can get into that space. I think will go first, but both have bipartisan support.

KLEIN: So, you think there'll be a stablecoin bill signed by the president this year?

ROMERO: I don't know if it's gonna be this year, but I think we're close. It got a lot farther along, I think, than the market structure bill did. There's still important questions about SEC versus CFTC jurisdiction, and obviously there's been a big change in the leadership at the SEC with leadership that is more open to regulating crypto, and I think that changed a lot.

KLEIN: Okay, so if that's where you think we're going, what do you think should be doing?

ROMERO: I have lots of thoughts on this.

KLEIN: We have time.

ROMERO: Yeah, so first off, I have long advocated for the CFTC to have a definition of retail customer. We don't have one. This makes sense because usually retail customers were not engaged in the derivatives market. This makes since, but now we've seen this rise in retail in part because of crypto and some other products. We don't have the same retail customer protection regime that the SEC had that I was used to working with when I was at the SEC so I have advocated for in any legislation for the CFTC that would give the CFDC greater authority that we would also have a definition of retail customer

KLEIN: Do you lack the definition to do it right now or do you want so you couldn't define it even if you wanted to?

ROMERO: We could not, we have this weird thing called non-eligible contract participant, which could include a hedge fund up to five million dollars and someone with 10 million dollars, we don't have it. So, Congress would need to do it. That has not, I've not seen that yet in a bill, although Chairwoman Stabenow had asked our chairman in a hearing whether we should have it after I'd been advocating for it. He said he thought that we did need that.

KLEIN: It's so important because there's a general theory, right, which is that retail people need greater protection than a sophisticated person. If you're trading on behalf of a multi-billion-dollar entity, copy them TOR, you know, if you screw up. you should have spent some time looking at this. But retail individuals are given a much larger set of protections, much larger sets of disclosures, and frankly, a more narrow set of eligible assets that they can invest in because of the idea that they don't wanna have people lose their life savings. You said you thought this thing's a commodity, anything that trades. I thought, well, wait a second, I owned a lot of baseball cards. I traded a lot of baseball cards, I took a bath in the baseball card market as many people of my generation. Uh... Did others mark McGuire rookie cards are aren't uh... Appreciating asset I thought they were uh... You know I don't think I needed the government to regulate the card market or the beanie baby market uh... To use a different analogy, watch the government be regulating the crypto market

ROMERO: Yeah, I mean, I think people are, if people are trading on it, in it, then I think it should be regulated. We've seen the damage that can come when it's not regulated, even, you know, a ban against co-mingling a company's assets with, with customer assets. I mean that seems extremely basic. Anti-money laundering, anti-sanctions evasion and anti-terrorist financing. So, I think ultimately, look, I came from the SEC with an investor protection regime. You want people to know their rights and risk. If they take a risk and they lose, that's on them. But you wanna have some basic things like exchanges that are registered, that have some basically requirements and have to follow the law. And so, this is what I think is the main thing that needs to happen. On top of that, I do think anyone involved brokers, exchanges, clearing houses, that are going to be involved in trading in this space. And facilitating the trades in this space need to be registered.

They need to registered either with the SEC or the CFTC or in some cases both, depending upon what they're gonna allow the trading on. And they need to follow the rules and the law. And I think illicit finance needs to be protected against, I mean, I've brought a lot of money laundering investigations, put a lot of people in jail for that. And that's an area that crypto needs to really mature out of the anonymity. Desire for anonymity to more like financial privacy, which financial institutions have been long used to covering.

KLEIN: So, what do you think is the biggest mistake that you think we're on track to make in the crypto world and crypto regulation or lack thereof, and how do you we can avoid it?

ROMERO: So, I think, let me say, I don't think this will happen, but to the extent that crypto would get very large in terms of the market and get very integrated with traditional finance, questions could arise about whether it raises to the level of systemic risk, at which point I think treasury and the banking regulators have to get involved. But for right now, I think it's there. So right now, I think what we need to make sure is the biggest risk is that there's not regulatory gaps. Uh... Regulatory arbitrage where someone's trying to play games in choose one regulator over another thinking that one is going to be weaker than the other

KLEIN: Well, I mean, that's one of the big concerns that opponents of this thing have made about the argument that they're going to go to the CFTC because of a belief that the CFDC is easier.

ROMERO: Yeah, I don't know, it's not, the thing that's wrong about that is not that the CFTC is easier, it's that the CFC is a principles-based organization.

KLEIN: That sounds good. I like principles.

ROMERO: Principles are good, so there is some flexibility in the application of principles-based regulation where you're not telling every company that they have to do everything the exact same way. It depends on that company. Now, that puts a burden on that country and that's followed by regulatory supervision where the regulator is making sure they're doing what they're supposed to do. The fact that our markets have done so well. We'll show you that we're not an easy regulator. Our markets have been strong with regulation and that helps make it some of the deepest, most liquid, most trusted markets in the world.

KLEIN: Yeah, I mean, one of the concerns I've always had with that argument is one of your predecessors, Brooks Lee Borne, famously argued to regulate derivatives, particularly of subprime mortgages, far more aggressively. And the Federal Reserve Chairman, Alan Greenspan, who was required by law to regulate subprime mortgages and bummed his nose at the law saying, I know better. That regulation isn't necessary, a practice the Federal Reserve still does to this day in many ways, strong-armed and basically with the help of Treasury and other people, push her down.

And CFDC didn't step in and we know what happened with the derivatives of subprime mortgages in chairman green span went before congress and I'm sorry I made a mistake didn't wipe out his life savings I don't think he was addicted or losses home I don't know how many federal reserve staff were addicted or lost their home I do know that five million Americans were foreclosed uh... And this idea about strong verse weak regulator I always thought of got it wrong I think it's a question of vision and the ability, there's a power dynamic. That's very much at play in Washington that the rest of the world may not see where the federal reserve can big-foot other regulators even if it's not in it's in the area let's talk fully about your tenure at the CFDC because it's uh... You know you twenty your long career you're leaving this this very you talked about your uh... Your sponsorship in the technological advisory committee you about the AI committee. Talk about some more of those and other accomplishments that you're proud of, of your tenure at the

ROMERO: Yeah, so obviously, as I said, number one is that the market's worked well. This is not headline grabbing stuff. In fact, we don't want to be in the headlines on this. You want the markets to work well. You want companies and people and farmers and energy producers and everyone who uses treasury futures and interest rate derivatives to be able to count on that. And then the second is the work we did in the technology advisory committee. So. We really embrace the idea of promoting responsible innovation. Like I always say, if the government doesn't keep pace with technology, the most vulnerable will suffer. Government is always behind on technology, but to the extent we can cut that gap and really keep up to date on what is happening and have the best and brightest minds and bring experts in to help us. Then we can understand things better as we're making decisions about law and policy. So, a lot of the work we did was on AI.

So, I knew right away with this evolution of AI that I would need to bring in AI experts. And I had to convince these people to come and serve on the committee. And a lot them did not know who the CFTC was, but I said, you're an expert in AI and I need your expertise. And when we applied what is happening with AI to financial markets, they were really invaluable. I also used them for my work on cyber security. And what we did was I led the CFTC's efforts on cyber resilience and led the drafting of the first proposed cyber resilience rule for banks and brokers, which got a 5-0 vote from the committee that took a lot. Very proud of that. And so, these are the types of things that we were working on all while I will say I'm proud of the work We did promoting responsible innovation in crypto until you actually regulate the trading of crypto.

You don't really understand all the nuances and all the details that go into the decisions that you have to make How do you increase customer protections? How do increase anti money laundering controls? And so, there were a number of issues that would come up How do you physically settle? Crypto, and other issues that until you actually regulated the trading, you just were not aware So we did a lot of work in this area, as well as where are things going with blockchain, where are thing going with digital identity, which is going to be a very interesting concept going forward.

KLEIN: Yeah, that's a whole subject, digital identity, that is radically needed, you know. We still have a state-based identity. The majority of Americans don't have federal photo identification, by which I mean a passport. By the way, if you ever ask yourself, as part of a bubble, ask yourself how many people in your friends and family network have and don't a passport? Slightly more Americans do not have a passport than do. You mentioned AI. You guys put out a report on AI.

ROMERO: Right, right.

KLEIN: We had a two-day event here at Brookings with the Financial Stability Oversight Committee on AI before. How do you think about the regulation and role of the government in AI going forward? Because a lot of people think that's going to be a massive change that whereas you point out behind the curve, the government's never going to the lead creator of AI content.

ROMERO: Yeah!

KLEIN: Regulation or understand it, what do you think we should do going forward on this?

ROMERO: Yeah, so, you know, I spend a lot of time since I've really led the CFTC's work on AI, using these AI experts. I spent a lot time talking with our exchanges, with our clearinghouse, with brokers to say, how are you thinking about the evolution of AI? So, I brought all these experts in and I said, tell us what we need to be worried about. And they said, look, AI has been around in financial markets for years and years and years, it's the evolution of AI. That we need to be paying attention to. And they wrote this really terrific report which explains these concepts that really need to understood like, where do humans fit in, right? This idea of humans in the loop, humans over the loop. And when I said, well, what do you recommend for us? They said, look, we don't want to step on the evolution of AI. We think that probably your rules already require a lot of work related to AI already with risk management and other resilience things.

So, do that. Get your capacity up internally at the CFTC. Start talking to all your regulated entities. And I said, well, should we come up with any new regulation? Should we do something? They said there are two things we want you to consider. The first, when it comes to new regulation, the first is governance requirements. So, we're going to go really back to foundational ideas. Like, if a company wants to commit to responsible deployment and use of AI, then they need governance requirements. Is there going to be a risk committee? The executive's going to involved. Who's going be involved in deciding what types of risks they're going take? And who's going making decisions and making sure that the use of that AI remains responsible? The second is just best practices. They said NIST, which is the gold standard, has a...

KLEIN: National Institutes of Standards and Technology.

ROMERO: That's right. It's in the name.

KLEIN: Up in Montgomery County, Maryland.

ROMERO: Has an AI risk management framework. And we brought in NIST to explain, and they said they have some 67 or some number of very specific requirements that anybody using AI should follow to get ahold of the risks and to be able to use all the benefit of AI. So those were the two new things, but they said it's really just a matter of continuing to invest in AI in terms of. What we know about it as a regulator, continuing to keep up with what were the use cases that our registered entities are going to be using it for, and that's a continuing conversation.

KLEIN: Let me ask you a little, we've talked a lot about the future. Every stint I've had in government, I've come back and I've thought, gosh, I wish I would have done this different. I wish it would have done that different. When I was at the Treasury Department working in TARP, I had the Special Inspector General telling me what to do differently on a regular basis.

ROMERO: I'm not going to apologize for that.

KLEIN: You shouldn't, because let me tell you that when you're the special inspector general, it was such a better experience. When you're in government and you're making big, consequential decisions like TARP is, they're hard.

ROMERO: They are hard, yeah.

KLEIN: They're difficult and you have to make them in real time and you're not going to get all of them right. And feedback on that is very valuable. Sometimes in this town, we're like porcupines, and we get all bristly, and on the outside, we're rejecting all of this. No, no, no. We got it right. But let me tell you, when we come back in, we're, like, you know, that was a fair point. Next time we're gonna take that feedback, we're going to try and do it better. It's always easier to criticize than to make. I remember when I was trying to learn how to do pottery and clay, and, like I can look at a bowl and be like, oh, I would have done this better, and then I try to make one, Right? Like, it's, it... But your points there were invaluable, and they made the process better.

Thank you, thank you. I'm not sure I would have said that about your predecessor, but we can hold that conversation for a different day. When you look back on it, how would you say, you know what, I wish I would've done this one a little bit better, a little different?

ROMERO: I wish, I would say, as a CFTC commissioner, I wish I had had some more time and been on the Hill more on this definition of retail customer. I really wish I would have pushed that harder so that the legislation that's coming out now would have that and be able to have the CFTC.

KLEIN: Any member of Congress or their staff watching, put that amendment on the Senate floor is what you're saying.

ROMERO: Put it on, please. It needs to happen. To the extent we're going to have more retail customers at the CFTC, there really does need to be a definition of retail customers and a retail customer protection regime. I would have liked to do a lot more on AI. I think there's a lot that's about to happen there. I think that's a about to explode there. And I think, in a good way, I think a lot of real benefit that can come out of it. And I think in terms of regulators keeping pace with that and getting involved with that, and making sure you're having the promise of AI, but you're looking out for risks is gonna be really important. I would have loved if we finalized the cyber resilience role. We did not get that finished. And I just think that more could be done. In terms of, I would have liked to be here as they get new crypto authority and to do the rule writing on that and to be able to do the customer protection regime and the AML. I think that would have been great.

KLEIN: The anti-money laundering.

ROMERO: Anti-money laundering, sorry.

KLEIN: What what's the uh... I'm a bit of the acronym police. Let me let me say about the the Commodities Futures Trading Commission. You were established to be a five-member bipartisan board, Democrats and Republicans, as is the case with many most of our financial regulators. Going forward with your departure and that of some of your colleagues, you're going to be down to one member. The president has no interest, it appears, in appointing minority members. In fact, he's fired minority members of other regulators earlier in this series we heard from the former chairman of the National Credit Union Administration who was fired by President Trump. Uh... In violation of the law and existing supreme court precedent as he sees it he's filed a case in fact I think any reasonable person would say it's in violation the supreme court's Humphreys v executor uh... Precedent the court may overturn itself uh... The president doesn't seem to want bipartisan boards your board is going to be down to one member uh... Which I think hampers its rule-writing authority uh... By its by its nature and structure. What do you think the future holds for this?

ROMERO: I mean, I think it hampers all types of a regulator in terms of what they can do if you're not going to have a full, independent, bipartisan board. I mean we had a full five for almost my entire tenure. And there is something great about the push and pull that comes from talking with someone with a different viewpoint and from thinking about how do we make something that's more long-lasting. Like we're not looking to have a situation that swings this way every four years, swings that way. Ideally, we push and pull each other. We come up with the right results and it lasts. And to the extent that you start to have these party line votes, they tend to not last because what happens is the next time that party's in power, who was on the losing end as they see it, they're going to just reverse everything.

And so, what we need to do is we need to work together, we compromised a lot. I convinced them of things, they convinced me of things. And when I say them, I'm not talking about party, I'm talking about my other four commissioners. We all have different viewpoints, we all have experiences. Bringing that all together is really helpful. So, what happens if the CFTC gets down to one and gets new authority for crypto, it's going to be really, really hard. Right, you're not gonna have the same push and pull. You're not going to have people who say, I've spent my career doing financial stability, and I think we need this for financial stability. I need to be, we need to more focused on customer protections, and so I worry about that. I worry that the CFTC and I worry about that at other agencies as well.

KLEIN: You know, I mean, I also worry, it's not, I worry about the idea that if the other group did it, it's wrong and I'm gonna do it, I'm just gonna reject what they did because they were the author.

ROMERO: I agree, I agree.

KLEIN: You know, the Federalist Papers wisely didn't give who their authors were. I worked on a statistical technique to try to tell who authored what, and it turned out by the use of the word whom, you could make a pretty good guess, but it took almost AI level computing power to do that and it was done because there was a part of the country that wouldn't have agreed with anything that Hamilton wrote another cut part that wouldn't have agreed anything that Madison wrote so they just said we're going to put it out Unauthored and nobody quite knew who wrote so they went along and I'm worried about that. We've seen that growth in financial regulation and I think it's fair to say we saw that to some degree at the FDIC which was the place where you were nominated to chair You were nominated to chair it.

You went through a grilling on the Senate Banking Committee. And the Senate didn't end up confirming you with the election on the horizon. It's rare to get a five-year term. And who knows, had you been confirmed, whether that term would have been honored. Tell us about what that experience was like and what your takeaways were from it.

ROMERO: Yeah, let me first go back to something you just raised. You know, we're not chosen because we're politicians. So, we're here to play politics when we're a regulator. We're chosen for our financial expertise. And that's working together, people with financial expertise coming from different viewpoints works really well when you put it together. We don't really think of it as we're voting on things as by party. We really don't at the CFTC. The FDIC experience was amazing. It was excellent. I met some wonderful, wonderful people at the FDIC and I got to work on getting prepared to do some really heavy, interesting issues on capital and mergers and technology. And it was the kind of job that would have brought all of my. Uh... Experiences and skills and background to bear I was treated very well by the senate and I had bipartisan support uh...

They just did not get to the vote in time before the election and at that point I decided not to move forward uh... So that the president could choose they want but I had a wonderful wonderful experience with them I'd look forward to leading them and also helping them out of their their workplace culture.

KLEIN: Any suggestions you'd give the next person who assumed that position?

ROMERO: I think, I think you have to say, you look at your...

KLEIN: There's an acting chair right now, whether it's him or someone else.

ROMERO: Yeah, I mean, I think you have to look at the special purpose of the FDIC. It's got such an important mission and say; how do we protect that most of all? People trust in that name, and so how do you make sure that you restore trust and keep that trust?

KLEIN: What do you see as, we're gonna turn to questions from the audience in a moment. What do see as the three biggest challenges facing the Commodities and Future Trading Commission? I'm gonna say over the next five years because that's a term that you're given in the outlook. So, if you had to say what are the three challenges that are gonna be facing the commission over the next 5 years?

ROMERO: Yeah, I mean I think the rise in retail is going to be one for sure. I think geopolitical uncertainty is going to continue to be the case. I mean, I always say you should expect the unexpected because then the collective we can kind of plan for that. I mean when we see what's happened to derivatives markets and the stress that has come on them and is going to continue happen, that's why we need to build in all of this resilience into these markets. And here, I think about liquidity risk. I've been following closely the Treasury bond market. We regulate the Treasury futures market, but obviously, we pay attention to the cash market. This is collateral for margins for so many people. So, these are all areas where we want to make sure that the liquidity is there when it's needed.

And then let me add on climate change, because it was one of the areas that I was interested in coming to the CFTC about. These markets are absolutely impacted by climate disasters. We're talking about farmers, agricultural producers, and energy producers, and there is a direct tie. This isn't politics, it's markets. And so, this is going to be an area where the CFTC needs to continue to monitor the effect of markets by the climate disasters that we've been seeing.

KLEIN: You said something earlier that I thought was very wise, where you talked about the asymmetry in regulators getting something right versus something wrong. And the way I internalized it was I've never seen a front-page story, food regulation awesome, no salmonella outbreak last year, right? And now, cutting all these food inspectors, we may. Come to realize that we've taken that for granted, although if you look back at Upton Sinclair and the history, people used to be afraid to go to restaurants 150 years ago because restaurants were where you got sick. Because if you didn't prepare the food at home, who knew how they prepared it, right? Now, I tend to think most people take for granted that you're gonna go out or the food you're gonna buy is inspected. And financial regulators face that kind of same. Same risk, and that could be very true in climate, right? Nobody said, oh, you know, you guys protected us by looking around the corner for this climate disaster. Are you afraid that we're gonna make that mistake?

ROMERO: I mean I look at it from a market perspective, so when I see the markets being completely impacted when there is a climate disaster and how that relates to dollars and cents and markets that people rely on, it's certainly something that has to continue to be monitored just as much as geopolitical risk or cyber risk or other risk that is out there.

KLEIN: Take a look for who has questions uh... Will turn to the audience for a second please speak into the microphone uh... So that everybody here and in the uh... Uh... Live streamed universe can hear you I'm gonna ask that you state your name your affiliation and I'm asking you ask a question I think that's fair since is the question portion so please I can find your answers the comments to be brief and a question so we can get several folks the gentleman here and then the woman to his right.

AUDIENCE MEMBER: Thank you very much for your analysis. I am Lopez from Johns Hopkins. But you make a distinction that your regulators are chosen by your financial expertise, not by your politics. But in fact, we know that both are related. So how can you incorporate that in the law so that we know but first that we should have the citizens should have the right to have in the regulation individuals that are chosen by their expertise. And if they have a political view or ideology, should have debatable or explainable or something like that. How to incorporate that in the law? That's my question.

ROMERO: Yeah, no, I appreciate the question. I mean, I think what we start with is having these full, independent commissions and boards that have a balance of different people from different parties. And then it's up to the president and the Senate to make sure that the nominations and the confirmations are for people based on their experience and their background, and they have the expertise to lead it. But then I think as regulators, we shouldn't come into any decision starting with, which party am I and what would that party want to choose? That's not how I've approached any decision in my entire career. The question is, what is the right thing to do? That's the question. And if we can talk with each other and have respect for each other, we may disagree on certain things, but there are many, many things that we all can agree on. And things like building resilience, that’s really important so that the markets can bear stress that's about to come because stress and volatility will always be there.

AUDIENCE MEMBER: I'm Courtney Deegan. I'm a reporter with Pensions and Investments. Going back to the issue of what might happen with fewer commissioners, I was hoping you could clarify, can the CFTC still issue rules with one or two commissioners or would that put rulemaking on hold until more are confirmed.

ROMERO: Yeah, I mean I think we have some different quorum rules and I'm not the general counsel for the CFTC so I'm going to give a legal opinion on that but I think it gets more difficult. And I think that it's not a great situation if you have one person who is determining what the rules should be. You lose the benefit of this back and forth, this push and pull. As to what's the right thing to do and I've always wanted to hear from my fellow commissioners about what makes sense to them and there are many things that they've convinced me of and many things I've convinced them of so I think it does a disservice to regulation.

KLEIN: Woman in sunglasses in the back

AUDIENCE MEMBER: Hi, if you can talk about de-dollarization and the pace of it, what your concerns are about the threat, did it intensify after sanctions? Just see if you could talk about the de-dollarization and what uses the threat in your firm's

ROMERO: I think to the extent we're talking about, I'm not sure if you're asking a question about stablecoins versus dollar, or you're asking a question about...

KLEIN: Just just just the world

AUDIENCE MEMBER: Uh, the world moving.

KLEIN: The world, right? We in America, yeah, we in America enjoy a unique status in the world being when you go anywhere else in the world and they want to figure out what the price of flight is in December. They have to do two things. One, they have to guess what the price of the jet fuel is going to be, the price oil. Two, they to guess with the price of their currency is going be vis-a-vis the dollars that the oil is priced in. Only in the United States do we just avoid that one step about currency risk, which for many countries and airlines is very real. And one of the arguments many economists have made is that our businesses and firms get a huge advantage by being the global world currency. This administration seems to argue that we pay a price for being the world currency and seems much more open to promoting alternative world currencies or, put a different way, pulling the United States back from their role as being the global provider of the world's currency.

AUDIENCE MEMBER: Yeah, I mean, I think the dollar will continue to be the reserve currency. I was just in Amsterdam at an international conference where this was discussed a lot. There is just not an alternative. That doesn't mean that we don't need to pay very close attention to what we're doing with the dollar, with what is happening with treasury markets. From the CFTC's perspective. We regulate the treasury futures markets. So, I'm heavily involved in monitoring that as well as what's going on in the treasury cash markets. Now there is a lot happening in that space right now for all these efforts to build resilience into those markets that is all coming together. Now I've just recently this week and last week had briefings on the treasury markets so this is all something we're paying very close attention to. But there is not another alternative right now to the dollar as the reserve currency.

KLEIN: Hold on, I want to give other folks an opportunity. Woman in the front row. Hold on, hold on one second, I think there's a microphone.

AUDIENCE MEMBER: Okay, thank you. Hello, I'm Dr. Raiji, Private Sector and the CBO and Director of CIFI, a consulting company in artificial intelligence. My question is actually tied up to the answer to the first question, that usually you guys like to work as a team, and for the first time I heard from you that you guys work together, there are no silos. So, because everybody has silos I hear for decades and silos exist today. So, my question is, is this is only in the FITC or is also at the SEC or other financial institutions, which finally they talk to each other to make financial decisions.

ROMERO: Yeah, I mean, we talk to each other all the time. I mean the different regulators, we all know each other. We all meet with each other regularly. We follow what each other are doing. We talk to one another. After the financial crisis where there was a lot of silos, a lot work was put into fixing that so that we can be very coordinated and talk with each and we cooperate with each. I think one of the things that happens is that doesn't just happen on a domestic. Um... Stage that happens on an international stage so we're also in conversations in coordination with international financial regulators as well.

KLEIN: But I mean, how much of it is the club of regulators, and I appreciate that. I worked in the Treasury Department, which is not a regulator. Uh... May try to play one on tv sometimes but it's the club of regulators always says they work well together yeah particularly on stage and then that way you know what when something happens they go to car sale we were great it was that I mean the financial crisis afterwards you know that the fed said the problem was at the bank with the FCC the banks of the promise with at the holding company with the fed the FDIC said we didn't get any we were the backup regulator no one shared information with us and it's all you know This. And, you know, the original idea behind Dodd-Frank was to combine the regulators. The bank regulators, not the SEC and CFTC and that got voted down. Senator Dodd lost that vote 90 to 9 on the floor of the

United States Senate and instead they created this Financial Stability Oversight Council that was supposed to bring all the regulators together. It was like the Jedi Council and anyone else here is a Star Wars geek may Recall, the Jedi Council, led by Yoda, lost.

They were defeated. And the Financial Stability Council sat around and thought about systemic risk and all this stuff and we had a wave of deregulation in the first Trump administration and we were all told Silicon Valley Bank, not systemic. And then it failed. And oh oops, it is systemic and we have to bail it out. In fact, its single largest depositor was a stablecoin, cryptocurrency company, three billion dollars and their crypto stablecoin was not so stable during the weekend when it wasn't clear if they were gonna get a bailout. And so, I know that right now you're in a fascinating moment in your in your life in your arc where you're still a member of the club you're at the CFTC but you know come You're not going to be in the future How much have the working together really changed and how much is it the United front up front and then? You know we're doing our job, but it's really their fault.

ROMERO: I think it's changed a lot. I mean, I worked at the SEC as counsel to the SEC chairman when the crisis hit. And then the next SEC chairman before I moved over to Treasury. I've seen a significant change. Not only do we have FSOC, which is a more formal body, but we have working groups and communication with our staff, which is really important. It's not just at the presidential appointee stage, it's at our staff level for us to be able to call and talk with each other. And there's a lot of conversations that happen internationally, but then domestically, and then just between regulators for whatever the issue is. If it's Basel, it's not just banking regulators, the CFTC would get involved as well. And I would have conversations about Basel with the Fed. From the CFTC's perspective. So those conversations continue and I think it's very well done.

I think it’s much better than it used to be. Now, to the extent that something new happens in the future, we shall see what happens. I hope that the conversations are going to continue. I do think that requires to have full commissions and boards, you can't have one person doing everything. And so that's all part of it. You wanna be able to bring in all these relationships, all this coordination and all this discussion.

KLEIN: So, one person can't do everything, and you've done a tremendous amount in your career, and you said this is your retirement after 23 years. But you don't look to me like a person who's ready to retire and sail off into the sunset. Tell me what's in future for you.

ROMERO: Thank you. I don't think I'm sailing off into the sunset too much. I'm going to join the faculty of Georgetown Law School, where I've taught a few years. Hoya saxa. So, I'm excited to do that. And then I'll continue to share my voice, whether it's a think tank or other avenues. But, you know, I've got a lot to say and I'd to share it and I'd like to continue to contribute and I would like to... To teach the next generation coming up. And maybe I can teach them some of this about how to be less political and to use their financial expertise and to work together and to talk to each other no matter what your party is.

KLEIN: Well, join me in congratulating Krishna Goldsmith-Romero for her wonderful voice, and we hope to hear much more in the future as well.

ROMERO: Thank you.