

House Financial Services Committee

**Prioritizing Main Street: Evaluating the Impact of Capital Proposals on  
Economic Growth and American Communities**

Testimony of

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On Behalf of the Commodity Markets Council

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Chairman, Ranking Member, and Members of the Committee, thank you for the opportunity to testify today.

My name is Reggie Griffith, and I am the Global Head of Regulatory Compliance at Louis Dreyfus Company, a global merchant and processor of agricultural commodities. Louis Dreyfus Company facilitates the movement, processing, and delivery of agricultural goods across grains and oilseeds, cotton, coffee, juice, and a range of other agricultural products.

Today I honored to appear before the committee on behalf of the Commodity Markets Council (CMC). CMC was founded over ninety years ago and was originally called the National Grain Trade Council. Today, CMC is the leading Washington D.C.-based trade association that brings agriculture and energy traders together with commodity exchanges, and its members including commercial end users that utilize futures and swaps markets for agriculture, energy, metal, and soft commodities as well as designated contract markets (DCMs), futures commission merchants (FCMs), and swap execution facilities (SEFs). While its membership has expanded over the years, its mission has remained the same: CMC advocates for an open, competitive marketplace by combining the expertise, knowledge, and resources of our members to develop and support market-based policy. For decades, we have supported both the principled regulation of and responsible innovation in derivatives markets, which ultimately serve as the most robust and resilient risk management markets in the world. CMC has long advocated for central clearing as a critical tool to improve the efficiency, depth, and stability of vitally important risk management markets.

Like other large agricultural merchants and processors (“Commercials”) we rely heavily on futures markets to manage risk. The use of these markets allows Louis Dreyfus Company and other commercials to offer fair and competitive pricing to producers and end users, while also serving as key risk management intermediaries. This dynamic is essential to the efficient functioning of the entire agricultural sector.

To avoid disruption to this process, the agricultural sector requires two fundamental elements from the futures markets, both of which are potentially impacted by the proposed bank capital rules:

- 1. Liquid, well-functioning futures markets supported by robust risk controls; and**
- 2. Access to sufficient futures clearing capacity and access to properly manage risk at a reasonable cost**

From our perspective, the March 2026 capital proposals represent a significantly more balanced approach than the 2023 Basel III “endgame” proposal. The 2026 proposal preserves both essential requirements and allows the agricultural sector to continue using the futures markets as it does today.

By contrast, we fear that the 2023 Basel III endgame proposal would have pushed hedging activity and liquidity away from the cleared futures model, reduced clearing capacity, and materially increased the cost of using futures markets. Collectively, those outcomes would have increased

risk and costs throughout the agricultural sector, resulting in less income for producers and higher food prices for American consumers.

## **1. Ensuring liquid, well-functioning futures markets supported by robust risk controls**

With respect to the first point, there has been broad, bipartisan recognition since the financial crisis that centralized clearing of derivatives is an effective tool for reducing systemic risk. Policymakers, regulators, and market participants have collectively worked to strengthen the risk controls governing these markets.

This effort has been a tremendous success. Trading volume in listed derivatives markets has increased substantially, and these markets have repeatedly demonstrated resilience during periods of extreme volatility without major disruptions. As a result, U.S. listed derivatives markets are widely regarded as the global gold standard.

We believe the March 2026 proposal appropriately builds on this framework by adding safeguards without impairing the liquidity or functionality that the agricultural sector depends on to manage risk. In contrast, the 2023 endgame proposal would have been excessive from a risk-control perspective and could have driven liquidity away from regulated, transparent markets and back toward less standardized, over-the-counter activity.

## **2. Preserving access to sufficient futures clearing capacity to properly manage risk at a reasonable cost.**

The second critical requirement is ensuring that futures markets maintain sufficient clearing capacity for the agricultural sector to properly manage risk at a reasonable cost.

Commercials serve multiple functions in the agricultural sector, including providing transparent prices for buying and selling commodities and acting as key risk-management intermediaries by allowing producers and end users to transfer key risks (e.g., price risk, logistics risk, and quality risk).

However, for commercials to offer fair and competitive pricing and to function effectively as risk-management intermediaries, they must be able to hold futures positions, in size, to the extent possible, that allow them to fully mitigate their risks.

To access futures markets, commercials generally must transact through an intermediary, known as a Futures Commission Merchant (“FCM”). Due to their trading size, risk-management requirements, and operational needs, large commercial firms are typically limited to using bank-owned FCMs, most of which are directly affected by the proposed bank capital rules.

If bank-owned FCMs are subject to overly burdensome capital requirements that do not appropriately reflect the actual risk profile of futures clearing activity (as was the case under the

2023 Basel III endgame proposal) the result will likely be a reduction in clearing capacity and higher costs for clearing services. In some cases, such requirements could even drive banks to exit the FCM business altogether, while clearly discouraging new entrants.

These events could constrain the ability of commercials to hold futures position sizes necessary to properly manage risk and could materially increase the cost of the positions they are permitted to hold. As a result, commercials would be required to incorporate additional risk premiums and higher trading costs into their pricing and limit their ability to mitigate risk for producers and end users. These impacts would ultimately be felt throughout the agricultural and food sectors, which are major elements of both the U.S. and global economies.

### **Summary Conclusion**

In closing, liquid, well-functioning futures markets and access to sufficient clearing capacity are essential to the agricultural sector's ability to manage risk, support producers, and deliver affordable food to consumers. We believe the March 2026 capital proposals strike an appropriate balance by strengthening safeguards while preserving market liquidity and clearing capacity. By contrast, the 2023 Basel III endgame proposal we fear would undermine these objectives by increasing costs, reducing clearing capacity, and pushing risk away from transparent, centrally cleared markets. We believe the 2026 proposal better supports the long-term stability and efficiency of agricultural hedging markets.

On behalf of the members of the Commodity Markets Council, I thank you for the opportunity to testify before this committee today. I am happy to answer any questions you may have at the appropriate time.