

**Testimony of Patricia White, Associate Director, Division of Research and Statistics Board
of Governors of the Federal Reserve System**
Hearing on Regulation of Over-the-Counter Derivatives
June 22, 2009

White believes that regulations of derivatives should be guided by certain policy objectives including the mitigation of systemic risk, increased transparency, and the prevention of market manipulation. To mitigate systemic risk, she proposes the centralized clearing of standardized OTC products, which could be achieved by establishing central counterparties. Additionally, infrastructure changes including defining the term “standardization” and developing electronic systems for disseminating trade data to CCP’s are also necessary. She notes that the Board of Governors will work to address any challenges to these reforms as quickly as possible and that commitments already made by some major dealers to improve “back-office” processes will help facilitate this. White indicates that it is important that counterparties to non-standardized contracts have robust risk-management procedures for clearing. To improve transparency and prevent market manipulation, White suggests creating contract repositories for all asset classes and requiring a record of all OTC derivative contracts that are not centrally cleared to be stored in such repositories. She believes that aggregated data should be made public and more detailed data should be available to regulators. She also supports enhanced price transparency to the public through post-trade transaction reports and prompt dissemination of prices and trade information. The Board supports creating a consolidated supervisor for systemically significant firms.