

## Grassley seeks scrutiny of commodity broker regulatory system

Written by Grassley Press  
Thursday, 12 July 2012 14:36

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WASHINGTON – Senator Chuck Grassley is asking the leaders of the Senate Agriculture Committee to address the PFGBest broker scandal during a hearing scheduled for Aug. 1 about the loss of funds by farmers, grain co-ops and commodity brokers when MF Global’s broker-dealer unit collapsed late last year.

Grassley also is asking the Commodity Futures Trading Commission (CFTC) to provide information on what the CFTC did in response to red flags that were raised with the commission regarding PFGBest.

“We have to make sure regulators are doing their job, and congressional oversight is a very important means for doing so,” Grassley said. “People need to have confidence in our commodity trading system in order for it to work for farmers and investors the way it’s intended.”

Click [here](#) for Grassley’s letter to Agriculture Committee Chairman Debbie Stabenow and Ranking Member Pat Roberts. Click [here](#) for Grassley’s letter to CFTC Chairman Gary Gensler. Below is the text of both letters.

July 12, 2012

The Honorable Debbie Stabenow  
Chairman, Committee on Agriculture  
Nutrition and Forestry  
Russell Senate Office Building 328A  
Washington, D.C. 20510-6000

The Honorable Pat Roberts  
Ranking Member, Committee on Agriculture  
Nutrition and Forestry

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Russell Senate Office Building 328A  
Washington, D.C. 20510-6000

Dear Chairman Stabenow and Ranking Member Roberts:

I know you are both just as concerned as I am with the recent events involving the brokerage firm Peregrine Financial Group Inc., ("PFGBest"). From the hearing the Senate Agriculture Committee conducted earlier this year on MF Global, it's clear the members of the committee understand just how important our commodity markets are to U.S. agriculture and our economy.

In light of the troubling news reports about how long PFGBest had shown signs of trouble, it's important the Senate Agriculture Committee look into the PFGBest matter in the same manner as what we have done regarding MF Global. We have to make sure regulators are doing their job.

I appreciate the fact you have scheduled another hearing regarding MF Global for August 1, 2012. I respectfully request that you broaden the scope of that hearing to include a look into the PFGBest matter, and ensure there is a witness from the Commodity Futures Trading Commission ("CFTC") present at the hearing who is able to answer questions regarding PFGBest.

I thank you in advance for your consideration of my request. Please feel free to contact me or my staff if you have any questions.

Sincerely,

Charles E. Grassley  
United States Senator

July 12, 2012

Chairman Gary Gensler  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

Dear Chairman Gensler:

The recent developments involving Peregrine Financial Group ("PFG") causes me serious concern as to whether the Commodity Futures Trading Commission ("CFTC") is properly overseeing the activities of commodity brokerage firms. With the events of MF Global fresh in

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everyone's memory, we now are faced with yet another incident in which farmers' and investors' money may not have been properly safeguarded.

It is my understanding there was no ongoing CFTC investigation that precipitated the events of this week at PFG. This is extremely troubling given that, according to press reports, there have been red flags for some time. For example, it has been reported there were indications PFG was short of funds and/or had accounting irregularities as far back as February 2010. It is critical for Congress to know what the CFTC did to look into these red flags.

Farmers and investors trust commodities brokers to safeguard their accounts and trust the CFTC to police the commodities market. With the failure of MF Global and now PFG, the CFTC must be open and transparent with Congress and the American people to prevent the continued erosion of customer confidence in the integrity of the commodities markets.

As Congress examines the CFTC's actions regarding PFG, please provide the following information to help us with our investigation - What steps did the CFTC take to oversee PFG from the beginning of 2010 to the present? When answering this question, please include all information related to previous violations of PFG, suspicious activity by PFG, and what steps, if any, the CFTC took to respond to these red flags.

I look forward to receiving your response in a timely manner. If you have any questions, please contact me or my staff.

Sincerely,

Charles E. Grassley  
United States Senator

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