

Congress of the United States

Washington, DC 20510

February 20, 2015

The Honorable J. Christopher Giancarlo
Commissioner
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Commissioner Giancarlo:

We are writing to seek information and documents related to potential ethics and conflict of interest concerns stemming from your employment with the financial services firm GFI Group, Inc. prior to your confirmation as a Commissioner on the Commodity Futures Trading Commission (CFTC).

According to press reports, after your confirmation in June 2014, you received a \$2.15 million severance payment from GFI and sold approximately 60,000 shares of company stock.¹ These reports raise concerns for several reasons.

First, we are concerned about the timing of your sale of GFI stock. You reportedly established a timed plan to sell set amounts of stock at 15-day intervals after joining the CFTC, but then deviated from that plan due to “a mistake in the design of the trading plan.”² You then reported that you sold your shares in rapid succession on September 9th, 11th, and 12th, 2014.³ On September 12th, the date you sold your final shares, GFI stock reached a five-year high.

In addition, we are concerned about the potential for broad conflicts of interest arising from the efforts of two other companies to acquire GFI. Beginning in July 2014—after you joined the CFTC but before you sold all your stock in GFI—two companies engaged in a bidding war for control of GFI. The companies are CME Group, Inc., which describes itself as “the world’s leading and most diverse derivatives marketplace, handling 3 billion contracts worth approximately \$1 quadrillion annually,” and BGC Partners, which describes itself as a “leading global brokerage company

¹ *CFTC Official Tied to Wall Street Profits from Merger Fight*, Bloomberg Government (Jan. 22, 2015) (online at www.bloomberg.com/news/2015-01-22/cftc-official-tied-to-wall-street-profits-from-merger-fight.html).

² *CFTC Official Tied to Wall Street Profits from Merger Fight*, Bloomberg Government (Jan. 22, 2015) (online at www.bloomberg.com/news/2015-01-22/cftc-official-tied-to-wall-street-profits-from-merger-fight.html).

³ Office of Government Ethics, Executive Branch Personal Financial Disclosure Report for J. Christopher Giancarlo (Sept. 12, 2014).

servicing the financial and real estate markets” and whose customers include “many of the world’s largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, property owners, real estate developers, and investment firms.”⁴

This bidding war was associated with a significant rise in the price of GFI stock, which doubled in value between July 25 and September 12, 2014. According to your filings with the Office of Government Ethics, five of seven tranches of your GFI stock were sold between these two dates. The increase in the price of GFI stock appears to have netted you more than \$100,000 in additional profits above the amount you would have made had the stock been sold prior to the price escalation.⁵

Your federal ethics agreement states:

For a period of two years from the date of my resignation, I will not participate personally and substantially in any particular matter involving specific parties in which GFI or any of its wholly owned parties is a party or represents a party.⁶

However, the ethics statement is silent on any actions involving the CME Group and BGC Partners, despite the fact that these companies may have substantial business before the CFTC.

Under the Dodd-Frank Act, the CFTC is playing an increasingly important role in regulating over-the-counter derivatives. It is critical that CFTC Commissioners and staff avoid conflicts of interest as well as the appearance of conflicts of interest. According to Wilson Abney, a former Chief Counsel with the Senate Ethics Committee, you should “clear up any potential concerns so there is nothing hanging over” you, and should “make sure the public has no reason to question [your] objectivity.”⁷

To address the concerns raised by your severance agreement with GFI and by your divestiture of company stock, please provide the following materials:

⁴ CME Group, *About CME: Driving Global Growth and Commerce* (accessed Jan. 25, 2014) (online at www.cmegroup.com/company/history/); BGI Partners, *What Does BGI Offer* (accessed Jan. 25, 2014) (online at www.bgcpartners.com/).

⁵ Office of Government Ethics, Executive Branch Personal Financial Disclosure Report for J. Christopher Giancarlo (Sept. 12, 2014); Office of Government Ethics, Executive Branch Personal Financial Disclosure Report for J. Christopher Giancarlo (Aug. 19, 2014).

⁶ Office of Government Ethics, Ethics Agreement for J. Christopher Giancarlo (Aug. 12, 2013).

⁷ *CFTC Official Tied to Wall Street Profits from Merger Fight*, Bloomberg Government (Jan. 22, 2015) (online at www.bloomberg.com/news/2015-01-22/cftc-official-tied-to-wall-street-profits-from-merger-fight.html).

1. A copy of your final Employment Agreement with GFI, copies of any previous versions of this agreement, and copies of any other documents relating to your severance package with GFI;
2. A copy of your original CFTC Ethics Agreement, including any amendments to such agreement, and any correspondence between you and the CFTC General Counsel relating to such agreement;
3. A copy of any other documents, guidance, or training materials provided to you by the CFTC or the U.S. Office of Government Ethics regarding conflict of interest and ethics compliance arising from your prior employment;
4. A copy of your initial trading plan for GFI stock, a description of the "mistakes" that were identified in the plan as well as an explanation of how the "mistakes" occurred and how they were identified, a copy of the amended trading plan, and any correspondence or other documents relating to the development of the plan or any changes in the plan;
5. An explanation of what steps you have taken to avoid any conflict of interest or the appearance of a conflict of interest regarding your current work at the CFTC; and
6. An explanation of how you will handle CFTC actions that may affect the CME Group or BGC Partners, and any correspondence or other documents relating to discussions between you and the CFTC General Counsel relating to these companies.

Please provide this information by March 6, 2015. If you have any questions about this request, please contact Brian Cohen in Ranking Member Warren's office at (202) 224-4543 or Brandon Reavis in Ranking Member Cummings' office at (202) 225-5051.

Sincerely,



Senator Elizabeth Warren
Ranking Member
Subcommittee on Economic Policy



Elijah E. Cummings
Ranking Member
House Committee on Oversight and
Government Reform

cc: The Honorable Dean Heller, Chairman, Subcommittee on Economic Policy

The Honorable Jason Chaffetz, Chairman, House Committee on Oversight and
Government Reform