

July 20, 2005

The Honorable Saxby Chambliss
Chairman
Committee on Agriculture, Nutrition and Forestry
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

We appreciate your commitment to the important task of reauthorizing the Commodity Futures Trading Commission (CFTC). CFTC reauthorization is important to the efficient operation of many markets. It is our collective view, however, that the proposed draft of the reauthorization legislation raises too many concerns, as well as questions, at this point. With regret, we are compelled to oppose this legislation.

The proposed legislation would modify the Commodity Futures Modernization Act (CFMA) of 2000. The CFMA represents the best collaborative work of the Congress, regulators and industry. The legal certainty it provided aided the development of important financial markets that have reaped significant benefits for the broader economy.

As Federal Reserve Chairman Alan Greenspan and acting chair of the Securities and Exchange Commission, Cynthia Glassman, noted in letters to Senator Crapo today, the President's Working Group on Financial Markets (PWG) has not had the opportunity to review or deliberate over key proposals contained in the draft reauthorization legislation.

Of primary concern to industry representatives are provisions that would modify the so-called Treasury Amendment—provisions painstakingly crafted to balance the differing interests of all federal financial regulators. Certain of the proposed changes would render illegal foreign exchange activities that are currently permissible under the Commodity Exchange Act and that have not given rise to any of the abuses that the proposed amendments are purported to address. Other amendments intended to address the CFTC anti-fraud authority raise troublesome questions of scope, construction, and policy and go well beyond any reasonable concerns raised by the Zelener decision of the Seventh Circuit.

We are deeply concerned by the potential adverse—though unintended—consequences of the proposed legislation.

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Again, Mr. Chairman, we are grateful for your commitment to CFTC reauthorization. We remain willing to continue to work with the Committee in formulating legislation that will address the legitimate concerns and policy objectives of the Committee. In its current form, however, we regret that we must oppose this legislation.

Sincerely,

The Bond Market Association
Futures Industry Association
International Swaps and Derivatives Association
Securities Industry Association