

December 14, 2005

The Honorable Dennis Hastert
Speaker
United States House of Representatives
235 Cannon House Office Building
Washington, DC 20515

Dear Mr. Speaker:

The undersigned Associations have serious concerns with Title II of H.R. 4473, "The CFTC Reauthorization Act", which is on the House Suspension Calendar today. As proposed, the legislation raises significant issues of scope and policy as well as technical issues having potentially substantive consequences on the over-the-counter (OTC) derivatives markets. The proposed legislation would unnecessarily extend the Commodity Futures Trading Commission's (CFTC) jurisdiction beyond futures and options markets and impose new regulation unwarranted by market events. Therefore, we unfortunately must oppose H.R. 4473.

We are most concerned that the language in Title II ("Natural Gas Price Transparency") includes expansive new provisions governing position reporting and market surveillance that raise significant questions of policy, scope, and construction. These provisions would expand CFTC authority far beyond the Commission's traditional authority with respect to futures and options transactions. We are not aware of any recent developments that warrant the dramatic expansion in CFTC authority and related responsibilities proposed in the current draft.

As Federal Reserve Board Chairman Alan Greenspan has noted recently, price increases and volatility in natural gas are not the result of weakness in the regulation of U.S. natural gas markets. He adds that the provisions of Title II will not reduce natural gas prices or reduce price volatility. The Department of Treasury has also stated that the language in Title II could have a significant and negative impact on the important risk management function that these OTC markets perform in the U.S. economy.

We respectfully urge you to delay the scheduled vote in order to resolve the remaining substantive policy questions and concerns as raised by members of the President's Working Group on Financial Markets.

Thank you in advance for your consideration.

Sincerely,

The Bond Market Association
The Financial Services Roundtable
Futures Industry Association
International Swaps and Derivatives Association
Securities Industry Association

Cc: The Honorable Nancy Pelosi, Minority Leader
United States House of Representatives

The Honorable Roy Blunt, Majority Whip
United States House of Representatives

The Honorable Eric Cantor, Chief Deputy Majority Whip
United States House of Representatives

The Honorable David Dreier, Chairman
United States House of Representatives Committee on Rules

The Honorable Michael Oxley, Chairman
United States House of Representatives Committee on Financial Services

The Honorable Barney Frank, Ranking Member
United States House of Representatives Committee on Financial Services

The Honorable Mike Pence
United States House of Representatives