



ISDA

THE FINANCIAL SERVICES ROUNDTABLE

July 24, 2008

Dear Members of the House Committee on Agriculture
United States Congress
Washington, D.C. 20515

Dear members of the House Committee on Agriculture:

As the Committee prepares to mark-up legislation addressing commodity derivatives the signatories below applaud your efforts to act in a way that avoids disrupting these critically important markets. As currently drafted, we oppose this bill.

As the Committee moves forward we urge you to reject any proposals which could serve to harm market participants and make it more difficult for American business and investors to diversify their portfolios and manage risks.

Specifically, we oppose measures which would:

- Impose restrictions on foreign boards of trade which would promote retaliation from foreign regulators of US exchanges, and measures which would unduly impose civil and criminal liability on US persons trading on foreign markets.
- Prevent pensions funds from diversifying portfolios and investing in asset classes whose performance is correlated to inflation. These restrictions would prevent pension funds from managing risks and harm the beneficiaries of those funds.
- Create position limits for OTC derivatives or give the CFTC discretion to impose overly restrictive position limits for exchange trading. Measures such as these undermine the ability to trade in physical-based commodities. They would create uncertainty across a broad range of commodities, increase volatility and prices for hedging transactions and drive economically beneficial OTC business offshore.
- Impose burdensome reporting requirements for FCM and OTC market participants. These measures, including codifying requirements for special calls,

would remove the discretion of the CFTC to ask for more tailored information or particular data. This would create an ongoing, significant new cost of doing business in the U.S., harming the competitiveness of U.S. firms vis-a-vis those outside of CFTC jurisdiction.

We believe the answer to high gas prices lies with solutions focused on supply and demand. Provisions such as the above will harm the financial markets as well as the companies and investors that rely on them. Additionally, the restrictions threaten to drive the business overseas. We urge you to oppose any such measures.