

Dec. 7, 2009

The Honorable Collin Peterson
U.S. House of Representatives
Washington, DC 20510

The Honorable Barney Frank
U.S. House of Representatives
Washington, DC 20510

The Honorable Frank Lucas
U.S. House of Representatives
Washington, DC 20510

The Honorable Spencer Bachus
U.S. House of Representatives
Washington, DC 20510

Dear Representatives Peterson, Frank, Lucas and Bachus:

The Futures Industry Association (FIA) favors open and competitive markets. For decades we have championed competition among derivatives trading and clearing platforms. In our view that kind of competition serves customers and the public interest by lowering costs and spurring innovation. Competition also serves the fundamental goals of the reform legislation: robust competition among clearing platforms is the best way to ensure that **every derivative that can be cleared will be cleared.**

FIA opposes the Lynch Amendment because it will lead to **less competition, not more.** Its acknowledged purpose is to knock out one set of competitors while promoting the private business interests of another. In that sense, the Amendment conflicts with the public interest in fair and open competition.

The Amendment's stated purpose is to prevent one group of market participants -- the bank dealers -- from blocking other market participants from accessing clearing. But appropriate CFTC and SEC regulation for clearing would prevent any denial of fair and open access to clearing services for all participants. And the pending reform bills would do exactly that. Thus, the Amendment tries to fix a perceived problem these bills already effectively address, but without hampering competition among clearing platforms in any way.

Clearing houses rely on the capital provided by their clearing members, most of which are banks, to support the important guarantee that they provide. Clearing members may legitimately want to own a stake in the clearing house and have a say in how their capital will be used. That is sensible and fair representation, not a conflict of interest. In fact the bills require clearing houses to adopt governance arrangements that support the objectives of their participants. The Lynch Amendment should be defeated.

Sincerely,

John M. Damgard
President, Futures Industry Association