

December 7, 2005

The Honorable Bob Goodlatte
Chairman
United States House of Representatives
Committee on Agriculture
1301 LHOB
Washington, DC 20515

The Honorable Collin Peterson
Ranking Member
United States House of Representatives
Committee on Agriculture
1301 LHOB
Washington, DC 20515

Dear Mr. Chairman and Ranking Member Peterson:

The undersigned Associations have serious concerns about the House Agriculture Committee's draft bill, with the accompanying natural gas amendment, to reauthorize the Commodity Futures Trading Commission (CFTC). 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 derivative markets. The proposed legislation would unnecessarily extend CFTC jurisdiction beyond futures and options markets and impose new regulation unwarranted by market events. While the staff of the Agriculture Committee has made a good faith effort to address the Associations' concerns in a number of areas, we unfortunately must oppose the Committee's reauthorization bill and the accompanying natural gas amendment in the current form. We respectfully request a postponement of the markup scheduled for Wednesday December 7 in order to work on further revisions to the draft bill.

We support, in scope and substance, the fundamental approach to the Zelener issue reflected in the legislation proposed by the President's Working Group for Financial Markets. We believe, however, that a number of technical changes to the PWG draft legislation are needed. The Committee's draft bill does not yet reflect any of these changes

We are most concerned that the natural gas amendment 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 Chairman Greenspan recently observed, price increases and volatility in natural gas are not the result of weakness in the regulation of U.S. natural gas markets or U.S. futures exchanges and will not be "cured" by changes in that regulatory structure.

Again, we oppose the proposed CFTC reauthorization legislation as presently drafted, and urge you to postpone Wednesday's markup in order to allow for further work to resolve the remaining substantive policy questions. Thank you in advance for your consideration, and we look forward to a continued dialogue with you and your staff on these issues of importance to the financial markets.

Sincerely,

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

Cc: The Honorable Dennis Hastert, Speaker
United States House of Representatives

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

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