



June 25, 2009

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, DC 20515

The Honorable John Boehner  
House Minority Leader  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Henry Waxman  
Chairman  
Committee on Energy & Commerce  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Collin Peterson  
Chairman  
Committee on Agriculture  
U.S. House of Representatives  
Washington, DC 20515

Dear Madam Speaker, Minority Leader and Chairmen Waxman and Peterson:

The Futures Industry Association and Commodity Markets Council join together to vigorously oppose the implementation of transaction taxes on futures and option contracts cleared on U.S. exchanges. H.R. 2454 would harm consumers, retirees, end users, the U.S. futures industry and the U.S. economy. It would add stress to our already strained markets. Historically, Congress has recognized the potentially devastating effects of a transaction tax and consistently rejected calls to impose these taxes on the users of the US futures markets.

If U.S. exchanges are not cost competitive, market participants have alternative choices including a growing number of competitive foreign exchanges. The proposed tax will fragment liquidity, which is currently centralized on highly regulated markets, and will drive much of that liquidity, along with the price discovery function, onto other less regulated and less transparent markets outside of the purview of U.S. regulators. As a result of this fragmentation of market liquidity, the real costs of hedging price risks will increase for all users of derivatives markets.

Market-makers, in particular, assume a large portion of the price risk managed every day on US futures exchanges. These traders, who operate on the smallest profit margins of any regular user of exchange-based products, would be significantly impacted by the tax. With the volume and frequency of their transactions, the proposed tax would make it incredibly challenging for many of them to continue trading on U.S. regulated exchanges. As a result, US exchanges could experience reduced market liquidity which would impact all market participants, overall exchange competitiveness and market efficiency.

Moreover, the oversight provided by the Commodity Futures Trading Commission (CFTC) ensures public confidence, market integrity, and protects market participants against manipulation, abusive trade



practices, and fraud. The entire US economy and the US financial system benefit from these activities, not just market participants.

While we believe it is important that the CFTC has adequate resources, we strongly urge you to reject the proposed transaction tax. At a time when the public is looking for greater transparency and improved confidence in U.S. financial markets, we do not believe that now is the time to punish market participants who choose to use the regulated and transparent U.S. exchange markets.

Sincerely,

A handwritten signature in black ink, appearing to read 'John M. Damgard'.

JOHN M. DAMGARD  
President  
Futures Industry Association

A handwritten signature in black ink, appearing to read 'Michael D. Walter'.

MICHAEL D. WALTER  
President  
Commodity Markets Council