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FIA Strongly Opposes Proposed Tax on Futures Transactions

WASHINGTON, D.C.---February 7, 2006---The Futures Industry Association today stated its strong opposition to the so-called “user fee” on futures transactions contained in the Bush Administration’s fiscal 2007 budget.

“The proposed tax on futures transactions would raise the costs of doing business on regulated futures exchanges and could discourage institutions and individuals from using futures contracts to manage their risks,” said John Damgard, president, Futures Industry Association. “Institutional players today have many choices. If exchange-traded products become less cost-efficient, they can choose to do business in the over-the-counter derivatives markets or move to more cost-efficient markets.”

The proposed budget for fiscal year 2007 would apply the user fee to transactions in commodity futures and options traded on “approved exchanges” in order to fund the regulatory activities of the Commodity Futures Trading Commission. The CFTC budget for FY2007 is estimated to be $127,000,000.

The FIA believes that it would be counterproductive to discourage the use of markets that offer the benefits of transparency, risk management, mark-to-market valuation, multilateral clearing and strong self-regulation by imposing a transaction tax. The FIA believes the proposed tax should be dropped from the President’s budget with immediate effect.

FIA is the national trade organization for the futures industry. Its membership includes more than 40 of the largest futures commission merchants. FIA estimates that its members are responsible for more than 90 percent of all public customer business executed on U.S. contract markets.

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