



UNDER SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.  
December 12, 2005

Dear Chairman Oxley and Ranking Member Frank:

I am replying on behalf of Secretary Snow to your letter of December 8, 2005, in which you requested our views on certain language that was recently approved by the House Committee on Agriculture in its "Commodity Futures Trading Commission Reauthorization Act of 2005." The bill contains language in Title II ("Natural Gas Price Transparency") that has not been reviewed previously by the Department of the Treasury or the President's Working Group on Financial Markets (PWG).

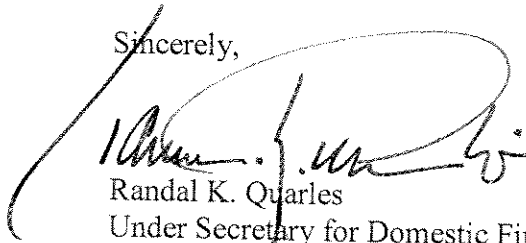
While the Treasury Department has had only a brief opportunity to review the natural gas provisions of the Agriculture Committee's bill, we have serious concerns with Title II that are similar to concerns that Treasury and other PWG members have expressed in the past regarding provisions that could affect over-the-counter (OTC) derivatives markets, including energy and natural gas markets.

The scope of Title II is broad, and its vague language could be construed to have implications for natural gas transactions in OTC markets. These provisions could result in unintended adverse consequences and undermine the regulatory relief and legal certainty that were so carefully crafted through the Commodity Futures Modernization Act of 2000 (CFMA). They could have a significant and negative impact on the important risk management function that these OTC markets perform in the U.S. economy.

In testimony before the Senate Banking Committee in September on the subject of the CFMA and recent market developments, I stated that major changes to the significant modernizations made by the CFMA were not warranted. Unless there were a clearly demonstrated need, Treasury continues to believe that legislation that would undo any of the modernizations made by the CFMA -- in the area of legal certainty or otherwise -- is not warranted.

Thank you very much for the opportunity to present our views on this important matter.

Sincerely,



Randal K. Quarles  
Under Secretary for Domestic Finance

The Honorable Michael G. Oxley  
The Honorable Barney Frank  
U.S. House of Representatives  
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