



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ALAN GREENSPAN
CHAIRMAN

July 20, 2005

The Honorable Mike Crapo
United States Senate
Washington, D.C. 20510

Dear Senator:

Thank you for sharing with me the draft of the Commodity Futures Trading Commission reauthorization bill that the Senate Agriculture Committee released yesterday afternoon. I concur with your view that departures from the consensus achieved in the Commodity Futures Modernization Act of 2000 (CFMA) are of concern to all of the agencies and departments represented on the President's Working Group on Financial Markets (PWG), and that consultation with the PWG is therefore appropriate. As you note, the CFMA was based, in large part, on recommendations set out in the November 1999 PWG report on *Over-the-Counter Derivatives Markets and the Commodity Exchange Act*.

I understand that the Committee intends to mark up the bill on Thursday and, if possible, you would like my views before then. Unfortunately, that is not possible. While the issues that the draft seeks to address have been debated for some time, the specific proposals include novel terms and approaches that cannot be analyzed thoroughly in just a day or two. Moreover, that timetable would not permit me to discuss the proposal with my PWG colleagues. The issues are complex and the potential for legislation to have unintended consequences, including uncertainty about the enforceability of legitimate transactions that do not involve fraud, is considerable. Consequently, I believe it would be a mistake to enact legislation that has not been thoroughly evaluated by the PWG and by market participants that may be affected.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Greenspan", with a long horizontal line extending to the right.