



**U.S. Commodity Futures Trading Commission**

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Sharon Brown-Hruska  
Acting Chairman

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May 20, 2005

The Honorable Jerry Moran, Chairman  
Subcommittee on General Farm Commodities and Risk Management  
Committee on Agriculture  
United States House of Representatives  
1301 Longworth House Office Building  
Washington, DC 20515

The Honorable Bob Etheridge, Ranking Member  
Subcommittee on General Farm Commodities and Risk Management  
Committee on Agriculture  
United States House of Representatives  
1301 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Moran and Congressman Etheridge:

Pursuant to the Subcommittee's request, enclosed are legislative proposals from the Commodity Futures Trading Commission (CFTC or Commission) for consideration during reauthorization of the Commodity Exchange Act (CEA).

There are 4 separate proposals. The first proposal expands the CFTC's antifraud authority under Section 4b of the CEA to clearly cover "principal-to-principal" off exchange transactions. The second proposal clarifies the CFTC's existing authority to bring civil and administrative actions under Section 9, including false reporting cases. The third proposal creates new definitions for a broad based foreign security index, broad based debt security index and broad based foreign debt security index. The fourth and final proposal revises the Commission's existing jurisdiction over retail foreign exchange transactions to address retail fraud problems and the recent *Zelener* decision.

This package represents a consensus among the Commissioners and the minimum which the Commission believes it needs in terms of changes to the Commodity Exchange Act during reauthorization. While the Commission shares concerns that the *Zelener* decision may have

implications beyond the forex area and that other solutions, including better litigation strategies, have been discussed, what we are proposing is that which is necessary to target the abuses that we have seen thus far in the markets. We will continue to consider the diverse views of the industry in this and other areas, and in particular, we anticipate an Agriculture Advisory Committee meeting to discuss these and other matters of importance.

I would be happy to answer any questions you or your Staff may have concerning these proposals or other reauthorization issues. Please do not hesitate to contact me or Gregory Kuserk, my Chief of Staff, at (202) 418-5286.

Sincerely,



Sharon Brown-Hruska  
Acting Chairman

Enclosure

cc: The Honorable Bob Goodlatte, Chairman  
Committee on Agriculture, United States House of Representatives  
The Honorable Collin Peterson, Ranking Member  
Committee on Agriculture, United States House of Representatives