

May 18, 1999

Honorable Thomas Ewing  
Chairman, Subcommittee on Risk  
Management and Specialty Crops  
Committee on Agriculture  
United States House of Representatives  
Washington, D.C. 20515

Dear Chairman Ewing:

We appreciate your continuing commitment to modernization of the Commodity Exchange Act ("CEA") and the opportunity to participate in your CEA Working Group on April 28, 1999. At the conclusion of the meeting, you asked all participants to provide you with written materials on the subjects discussed. This letter and the enclosed memorandum respond to your request.

As we emphasized during the Working Group discussion, CEA reform is critical in order to enhance competition in the U.S. market and abroad and to assure the availability of a broad range of risk management tools to U.S. businesses and government agencies. This requires a modernized CEA that provides legal and regulatory certainty for financial contracts, reduces unnecessary regulatory burdens on the futures exchanges and fosters financial innovation. We are committed to working with the Congress, the relevant regulatory agencies and others in the private sector to achieve these objectives.

One subject discussed at the Working Group meeting was the proposal for CEA reform submitted by the Chicago Board of Trade ("CBOT") and the Chicago Mercantile Exchange ("CME"). That proposal contains some features on which there is broad consensus, including the need to provide legal certainty that over-the-counter derivatives are not subject to the CEA and the need to reduce the regulatory burdens on the futures exchanges. We are concerned, however, that the CBOT-CME proposal seeks to achieve these goals within a framework that we believe will inevitably lead to unnecessary and burdensome regulation of additional categories of financial transactions and additional categories of participants in those transactions. We are also concerned that the CBOT-CME proposal may well create a new round of legal and regulatory uncertainties through repeal of the Treasury Amendment and the introduction of new concepts to distinguish transactions and participants that would be regulated under the CEA from those that would not be so regulated.

We intend the enclosed proposals for reform as constructive contributions to the dialogue on CEA reform and we look forward to the opportunity to explore them in greater detail with you and your Congressional colleagues, as well as with other interested parties.

Very truly yours,

Ad Hoc Coalition of Commercial and  
Investment Banks  
American Bankers Association  
ABA Securities Association  
Emerging Markets Traders Association  
Foreign Exchange Committee

Futures Industry Association  
International Swaps and Derivatives  
Association  
Securities Industry Association  
The Bond Market Association  
The Financial Services Roundtable