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COMMITTEE LETTER

Commending the Commodity Futures Trading Commission for Its Regulatory Relief Proposal

April 7, 2000

William J. Rainer
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Dear Chairman Rainer:

We are writing in connection with the recent report by the Commission's staff task force on regulatory reform. We believe that the regulatory relief proposal contained in the report is a constructive step toward modernizing the Commission's regulatory framework, and applaud the task force's work on this initiative.

We are also encouraged by the explicit commitments to enhance legal certainty contained in the task force report. The Commission should be particularly commended for making this process an inclusive one and for its willingness to give serious and substantial consideration to the views of those industry participants who are stakeholders in the outcome.

As you know, the undersigned represent a broad spectrum of constituencies that are actively engaged in the over-the-counter (OTC) derivatives markets. These firms are affected most directly by the legal uncertainty of the Commodity Exchange Act (CEA) and by the obstacles to innovation that arise under the CEA's current framework. Clearly, legislation remains essential to the successful and comprehensive modernization of the CEA and the elimination of legal uncertainty, and we look forward to working with the Commission in enacting CEA reform legislation as soon as possible.

There is much that the Commission can do administratively to foster these objectives. In this regard, we particularly appreciate your willingness and the staff's willingness to avoid regulatory measures that increase legal uncertainty and to explore opportunities to enhance legal certainty that are consistent with the recommendations of the President's Working Group on Financial Markets and the Commission's administrative authority.

We do not underestimate the difficulty in preserving and enhancing legal certainty through administrative action within the parameters of the CEA. There are important substantive issues for the OTC derivatives markets that must be resolved in an appropriate manner as the regulatory process moves forward, and we remain committed to working with you and your colleagues at the Commission to structure a new regulatory framework and resolve these issues.

We look forward to providing constructive assistance to the Commission in connection with its efforts to accomplish these objectives.

Very truly yours,

The Ad Hoc Coalition of Commercial and Investment Banks

The American Bankers Association

The ABA Securities Association

The Bond Market Association

The Emerging Markets Traders Association

The Financial Services Roundtable

The Foreign Exchange Committee

The Futures Industry Association

The International Swaps and Derivatives Association

The Securities Industry Association

cc: Commissioner Barbara Pedersen Holum
Commissioner David D. Spears
Commissioner James Newsome
Commissioner Thomas J. Erickson