

FUTURES INDUSTRY ASSOCIATION INC.

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The Honorable Donald W. Riegle, Jr.
United States Senate
105 Dirksen Building
Washington, DC 20510

Dear Senator Riegle:

I am writing to you on behalf of the Board and the membership of the Futures Industry Association regarding the passage of S. 207, the Futures Trading Practices Act of 1991, which is scheduled to be the subject of a hearing before the Banking Committee tomorrow, April 16, 1991. It is anticipated that the bill will be considered by the Senate shortly thereafter.

The FIA is the national trade association of the commodity futures and options trading industry. Our regular membership is comprised of approximately 100 of the largest futures brokerage firms, known as "futures commission merchants" or "FCMs." They handle more than 80 percent of the transactions on U.S. futures exchanges and are major participants in all significant markets throughout the world. All U.S. and many foreign exchanges and clearing houses, law and accounting firms, and users of the markets, such as commercial and investment banks and pension, insurance and mutual fund managers, are associate members of the FIA. Although our membership includes all facets of the futures industry, the FIA has its roots in the brokerage industry.

As we have stated in our testimony before both the House concerning H.R. 707, "The Commodity Futures Improvements Act of 1991", which passed the House on March 5, 1991, and the Senate concerning S. 207, the FIA fully supports the efforts of Congress to enhance the protections afforded to participants in the futures markets. Our membership believes firmly that these participants require and deserve the type of oversight and regulation that will maintain and expand public trust in the markets. We also believe that the measures reflected in Titles I and II of S. 207 significantly advance these objectives.

In light of these considerations, it is our view that the disagreements which have arisen regarding Title III of S. 207 should not further delay the passage of the CFTC reauthorization bill. We believe that Title III, as modified by the amendments submitted

to Senators Leahy and Lugar by the CFTC on April 9, which were developed by the CFTC and the Treasury Department, in consultation with interested industry participants, and is supported by the Administration, represents a reasonable compromise and that any disagreements concerning these provisions should not delay the process any longer.

In this regard, the compromise language will clarify much of the uncertainty which has existed with respect to the CFTC's jurisdiction over several types of financial instruments by assuring that many of these products will be outside the jurisdiction of the CFTC. In fact, the bill would expand upon the relief provided by the CFTC to date through regulations and interpretations, and would allow many of these products to be offered without the necessity of obtaining prior CFTC review on a case-by-case basis.

With respect to swaps, many of FIA's members are major participants in the international swap market and were concerned about the earlier version of the swaps provision contained in S. 207. The compromise language addresses many of their concerns and constitutes a significant improvement over S. 207 as passed by the Agriculture Committee. On the whole, the FIA believes S. 207, as modified, represents a substantial step forward in the regulation of the futures markets and in clarifying the status of swaps and other financial instruments. Therefore, we recommend passage of the bill without further delay.

The FIA appreciates this opportunity to share its views with you and we stand ready to provide any assistance which may be needed in concluding the reauthorization process.

Sincerely,

John M. Damgard
President

cc: Senator George J. Mitchell, Majority Leader
Senator Robert Dole, Minority Leader