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U.S. House of Representatives
Committee on Agriculture
Subcommittee on General Farm Commodities and
Risk Management
Room 1301, Longworth House Office Building
Washington, DC 20515-6001

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December 20, 2012

The Honorable Gary Gensler, Chairman
The Honorable Jill Sommers, Commissioner
The Honorable Bart Chilton, Commissioner
The Honorable Scott O'Malia, Commissioner
The Honorable Mark Wetjen, Commissioner

U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Gensler and Commissioners Sommers, Chilton, O'Malia and Wetjen:

The December 31, 2012, compliance deadline is rapidly approaching for a variety of new regulations created under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) (Dodd-Frank Act). Unfortunately, you are all well-aware that widespread confusion and concern still persists among global market participants and international regulators regarding the implementation of these new rules, especially with respect to exactly how the U.S. Commodity Futures Trading Commission (CFTC) plans to regulate cross-border derivatives transactions.

On December 13, 2012, the Subcommittee on General Farm Commodities and Risk Management held a hearing where Commissioners Sommers and Chilton testified alongside top regulators from Japan and the European Commission. Combined, the three regulatory jurisdictions represented by witnesses at our hearing comprised an overwhelming majority of the global derivatives marketplace. Based on testimony the subcommittee received, we are very concerned that a lack of coordination between both foreign and domestic regulators could soon lead to a disruption of the derivatives markets. With our economy facing an uncertain future, we can ill-afford to implement reforms without a good faith attempt to cooperate with the international community so we do not negatively impact global markets.

For example, Mr. Masamichi Kono with the Financial Services Agency of Japan (who also serves as Chairman of the International Organization of Securities Commissions) testified during the hearing that "much needs to be done" by the CFTC and that "it is important that the details of the applicable laws and regulations are made clear as much as possible before their implementation in order to minimize regulatory uncertainty." Further, with respect to minimizing risk in the marketplace, a goal central to the creation of the Dodd-Frank Act, Mr. Kono testified that "such risks need not be addressed by extraterritorial application of the U.S. laws and regulations; rather, the U.S. authorities could rely on foreign regulators upon establishing of course that the foreign regulators have the required authority and competence to exercise appropriate regulation and oversight over those entities and activities. This is

what we consider as the most efficient and effective approach, in line with the principles of international comity between sovereign jurisdictions.”

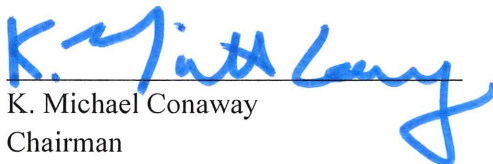
Again, with respect to reducing risk in the marketplace, Mr. Patrick Pearson with the European Commission testified that if regulatory conflicts between the United States and 27 member nations of the European Union are not resolved “trades will not be able to be cleared. If they can’t be cleared, they won’t take place. This means that firms and users will not hedge their risks, or firms will hedge their risks but they will only take place within one jurisdiction, which means that risk will be concentrated in one jurisdiction on the planet. That could be the United States. If your firms can’t hedge their risks outside of the United States, they’ll have to hedge them here. The consequences of that is obviously a fragmented market and a significant concentration of financial risk in the U.S. system, and this is exactly what we tried to prevent with our global regulatory reform.”

With respect to domestic regulatory coordination, we also have significant concerns that two different definitions of “U.S. person” may arise between the CFTC and the U.S. Securities and Exchange Commission. We must avoid the illogical creation of a disparate regulatory environment that would result in the same market participant being deemed a “U.S. person” for trading swaps while simultaneously considering them a “non-U.S. person” for trading security-based swaps.

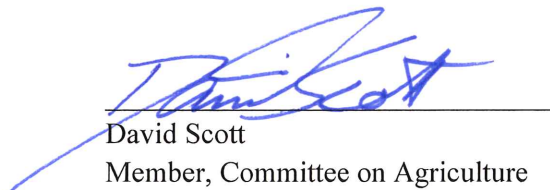
Ultimately, if Dodd-Frank is not implemented correctly, American end-users who use swaps to manage everyday business risks may have fewer counterparties. Fewer counterparties will mean less competition and less liquidity in the markets, which will lead to higher costs and a higher concentration of risk in the United States. Further, American financial institutions can and will lose business to foreign competitors if Title VII rules are not implemented in proper coordination and sequence with other international reform efforts.

We are hopeful that the CFTC will allow a thoughtful, deliberate and reasoned implementation of Title VII so new rules do not needlessly disrupt the U.S. and global derivatives marketplace. Thank you for your prompt attention and response detailing your plan of action prior to December 31.

Sincerely,



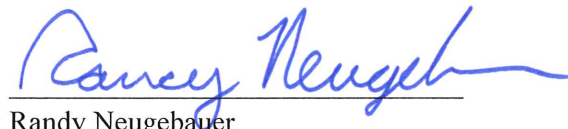
K. Michael Conaway
Chairman
Subcommittee on General Farm
Commodities and Risk Management



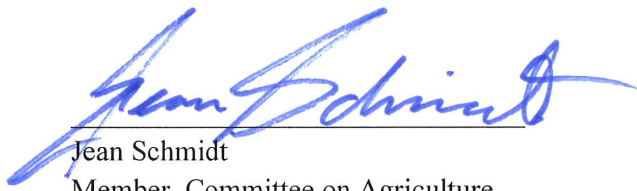
David Scott
Member, Committee on Agriculture



Steve King
Member, Committee on Agriculture



Randy Neugebauer
Member, Committee on Agriculture



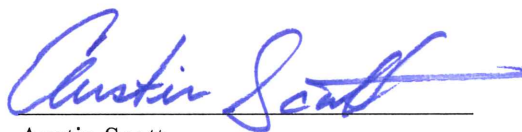
Jean Schmidt
Member, Committee on Agriculture



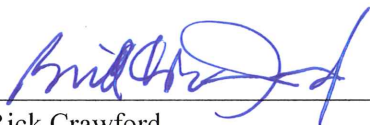
Terri Sewell
Member, Committee on Agriculture



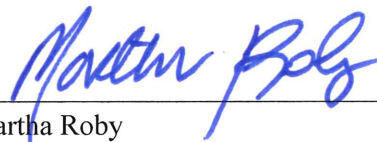
Bob Gibbs
Member, Committee on Agriculture



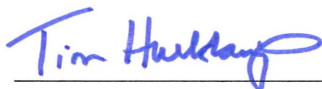
Austin Scott
Member, Committee on Agriculture



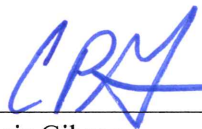
Rick Crawford
Member, Committee on Agriculture



Martha Roby
Member, Committee on Agriculture



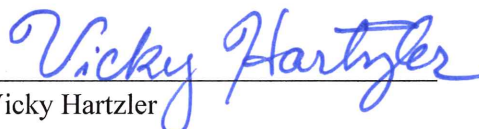
Tim Huelskamp
Member, Committee on Agriculture



Chris Gibson
Member, Committee on Agriculture



Renee Ellmers
Member, Committee on Agriculture



Vicky Hartzler
Member, Committee on Agriculture

Cc: The Honorable Timothy Geithner, Secretary, U.S. Department of the Treasury
The Honorable Elisse Walter, Chairman, U.S. Securities and Exchange Commission