

COMMODITY MARKETS OVERSIGHT COALITION

An Alliance of Commodity Derivatives End-Users and Consumers

April 11, 2012

The Honorable Debbie Stabenow
Chairwoman, Committee on
Agriculture, Nutrition & Forestry
United States Senate
328A Russell Senate Office Building
Washington, DC, 20510

The Honorable Pat Roberts
Ranking Member, Committee on
Agriculture, Nutrition & Forestry
United States Senate
328A Russell Senate Office Building
Washington, DC, 20510

The Honorable Frank Lucas
Chairman, Committee on Agriculture
U.S. House of Representatives
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Collin Peterson
Ranking Member, Committee on Agriculture
U.S. House of Representatives
1305 Longworth House Office Building
Washington, DC 20515

Dear Chairwoman Stabenow, Chairman Lucas and Ranking Members Roberts and Peterson:

The undersigned members of the Commodity Markets Oversight Coalition write to oppose the enactment of any legislation designed to obstruct the ongoing implementation of vital new derivative market reforms included in Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Pub.L.111-203).

The CMOOC is an independent, non-partisan alliance of organizations that represent commodity-dependent industries, businesses and end-users that rely on functional, transparent and competitive commodity derivatives markets as a hedging and price discovery tool. The coalition advocates in favor of government policies that promote stability and confidence in the commodities markets, that seek to prevent fraud, manipulation and excessive speculation and that preserve the interests of *bona fide* hedgers and American consumers.

Passage of H.R.2779 and H.R.2682 on March 26, 2012 marks the first time that either chamber has approved legislation directly affecting the regulation of the derivatives marketplace since the passage of the Dodd-Frank Act nearly two years ago. Several other bills have recently been reported out of committee or have been the subject of hearings and, presumably, will soon go to mark-up. While we recognize that the House and Senate Agriculture Committees have a responsibility to oversee the work of the Commodity Futures Trading Commission (CFTC), we oppose legislation that would interfere with or delay pending rules and as a result obstruct vital market reforms, encourage uncertainty among market participants and diminish the value of public comments received.

We are particularly concerned about H.R.3283, the "Swaps Jurisdiction Certainty Act," which was marked-up by the House Financial Services Committee on March 27, 2012. This bill would create a new loophole exempting from CFTC oversight and regulation any U.S. financial firm that is engaged in swaps transactions with a foreign entity. This would compromise the overall swaps market regulatory framework, encourage firms to export jobs overseas as they set up foreign affiliates to evade regulation, and exacerbate systemic risk. It would also undermine the CFTC's efforts to work with foreign and international regulators to establish jurisdiction and harmonize regulations.

H.R.2586, the “Swaps Execution Facility Clarification Act” has been reported out of both the House Financial Service and Agriculture Committees and is also problematic. If enacted, the bill would repeal long-overdue pre-trade transparency requirements for Swaps Execution Facilities (SEFs). Price transparency in the over-the-counter (OTC) markets was an essential and non-controversial reform included in the Dodd-Frank Act meant to enhance market surveillance and price competition and drive down hedging costs for commercial end-users. If it is repealed, companies that utilize OTC swaps, including many of our members, would not be able to “comparison shop” for the most affordable price. We urge against passage of this potentially costly legislation for end-users.

Vigorous enactment and enforcement of new and existing futures and swaps market regulations are essential for stable and competitive derivative markets that are free from fraud, manipulation and excessive speculation. Should regulators identify statutory barriers that impede or obstruct these goals, lawmakers should expedite legislation to make the necessary technical corrections. However, absent this, we would discourage additional legislation until the CFTC completes its work and fully implements new derivative market rules and regulations as required under the Dodd-Frank Act.

Thank you for your consideration.

Sincerely,

Airlines for America
American Feed Industry Association
American Trucking Associations
California Black Farmers and Agriculturalists Association
Colorado Petroleum Marketers Association
Florida Petroleum Marketers Association
Fuel Merchants Association of New Jersey
Gasoline and Automotive Service Dealers of America
Independent Connecticut Petroleum Association
Industrial Energy Consumers of America
Institute for Agriculture and Trade Policy
Louisiana Oil Marketers & Convenience Store Association
Maine Energy Marketers Association
Massachusetts Oilheat Council
Montana Petroleum Marketers & Convenience Store Association
National Association of Oil & Energy Service Professionals
National Association of Shell Marketers
National Association of Truckstop Operators
National Farmers Union
New England Fuel Institute
New Jersey Citizen Action Oil Group
New Mexico Petroleum Marketers Association
New York Oil Heating Association
North Dakota Petroleum Marketers
North Dakota Retail Association
Oil Heat Council of New Hampshire
Oil Heat Institute of Long Island
Oil Heat Institute of Rhode Island
Organization for Competitive Markets

Petroleum Marketers & Convenience Store Association Kansas
Petroleum Marketers & Convenience Stores of Iowa
Petroleum Marketers Association of America
Public Citizen
Ranchers-Cattlemen Action Legal Fund (R-CALF) USA
Society of Independent Gasoline Marketers of America
Vermont Fuel Dealers Association
West Virginia Oil Marketers and Grocers Association
Wyoming Petroleum Marketers Association

cc: The Honorable Tim Johnson, Chairman, Senate Committee on Banking
The Honorable Richard C. Shelby, Ranking Member, Senate Committee on Banking
The Honorable Spencer Bachus, Chairman, House Committee on Financial Services
The Honorable Barney Frank, Ranking Member, House Committee on Financial Services
The Honorable Gary Gensler, Chairman, Commodity Futures Trading Commission
The Honorable Jill Sommers, Commissioner, Commodity Futures Trading Commission
The Honorable Bart Chilton, Commissioner, Commodity Futures Trading Commission
The Honorable Scott O'Malia, Commissioner, Commodity Futures Trading Commission
The Honorable Mark Wetjen, Commissioner, Commodity Futures Trading Commission