BETTER MARKETS
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September 4, 2013

The Honorable Debbie Stabenow
U.S. Senate
Hart Senate Office Building
Room 133
Washington, DC 20510

RE: CFTC Reauthorization and Funding

Dear Senator Stabenow,

As you will recall, the very important issue of properly and fully funding the CFTC was raised at the July 17 hearing on Reauthorization of the Commodity Futures Trading Commission ("CFTC"). Subsequently, the Committee submitted a QFR to Better Markets on this topic and enclosed is our response for your information. As you will see, in summary, our response details why a self-funding user fee is necessary, indeed, overdue, would be consistent with longstanding practice, would be de minimis, would be deficit neutral, would benefit taxpayers and industry participants, and would not harm liquidity.

First and most importantly, as you know and as I detailed in my testimony, the jurisdiction of the CFTC has expanded dramatically from the $37 trillion futures market to include the epicenter of the last financial crisis, the $340 trillion swaps markets, for a total CFTC market responsibility of more than $375 trillion. Yet, the CFTC's budget hasn't expanded at all and is indisputably inadequate. To fund the CFTC at grossly insufficient levels is to set it up for failure and very possibly to plant the seeds of the next financial crisis. That is unacceptable and this Committee has a ready solution that not only won't burden the taxpayer, but will relieve them of the need to fund this agency and to do so in a deficit neutral way. This is how all the other market/banking regulators are currently funded.

As set forth in our response, the analysis of swaps and futures market data indicates that the CFTC's FY 2014 budget request of $315 million could be fully met, without any taxpayer funds, by a user fee as low as $1 per million dollars of notional value on each swap contract, and 28¢ per million dollars of notional value on each futures and options contract transacted in the United States. This would constitute a de minimis 0.0001% transaction fee on swaps (one hundredth of a basis point), and a fraction of this for futures and options. A typical large corn farmer could hedge his entire crop for a user fee of just 10¢, while even the average-sized interest rate swap entered into by multinational corporations to hedge their global portfolios would incur just $58 in fees.

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By comparison, the SEC currently charges user fees of $17.40 per million dollars of securities to raise over $1 billion in revenues. In contrast, the proposal we are advancing is a very small user fee that will raise a modest amount of revenue necessary to provide funds for a hugely important regulator charged with helping to protect the American people and the country from another financial crash.

We hope you find this informative and would be pleased to discuss this with you further.

Sincerely,

Dennis M. Kelleher
President and CEO

Attachment