



October 10, 2013

Hon. K. Michael Conaway
Chairman
Subcommittee on General Farm
Commodities
and Risk Management
2430 RHOB
Washington, D.C.

Hon. David Scott
Ranking Member
Subcommittee on General Farm
Commodities
and Risk Management
225 CHOB
Washington, D.C.

Re: October 2, 2013 Hearing and a De Minimis Self-funding CFTC User Fee

Dear Mr. Chairman and Ranking Member:

On October 2, 2013, The Subcommittee on General Farm Commodities and Risk Management held a hearing on the future of the Commodities Future Trading Commission (CFTC). In response to a question about the possibility the CFTC becoming self-funded, the representative of the CME Group, Mr. Terrence Duffy, asserted that the authorization of a user fee to raise \$300 million dollars to fund the CFTC would cause customers to incur a 70% increase in costs and be devastating to the industry he represents.

That reply is simply inaccurate, as we have detailed in testimony and analysis.

Mr. Duffy makes two fundamental errors. First, he assumes any user fee would only apply to the futures market, ignoring the entire swaps market. Conservative user fee proposals assume at least a 50-50 split between the swaps and futures markets. This would reduce the amount of funds required to be raised from the futures market, resulting in about 2 cents per contract rather than the 4.2 cents Mr. Duffy asserted. Second, Mr. Duffy stated that a 7 cent exchange fee paid by the largest broker dealers is a good measure of transaction costs. It is not. Most FCMs pay 12 cents and customers of those FCMs may pay close to a dollar per contract. Thus, an additional 2 cents per contract CFTC funding fee would not even come close to a 70% increase on existing execution costs, and would not affect the industry's liquidity.

Moreover, most user fee proposals are tied to the value of contracts, not their number. To put this in perspective, a 75,000 bushel corn trade, which might typically cost around \$10 in exchange fees, would incur just a 10 cent user fee. A typical large interest rate swap, which would cost \$1,000 in execution fees, would incur just a \$58 user fee.

For a (1) more comprehensive review of why the CFTC should be self-funded like every other financial regulator and (2) demonstration of why any such fee would be de minimus, and not impact liquidity, I am enclosing a copy of our response to a QFR from the Senate Agriculture Committee on this very subject.

For the record to be complete, we would request that you insert this letter and the enclosure in the record of the hearing. We would be pleased to discuss these matters further with you if you have any questions.

Sincerely,



Dennis M. Kelleher
President and CEO

Enclosure