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United States Congress

The Illinois Delegation

Washington, DC 20519



April 1, 1987

The Honorable Susan M. Phillips, Chairman
Commodity Futures Trading Commission
2033 K Street, N.W.
Washington, DC 20581

Dear Madam Chairman:

The Illinois Congressional delegation is writing you to explain our concerns regarding the Commission's proposed rules for regulating foreign futures. These proposals directly involve and relate to the ability of U.S. futures exchanges, including the two major Chicago exchanges, to compete fairly with foreign exchanges. We therefore have a strong interest in your proposals.

Under existing law, exacting regulatory requirements are imposed on domestic futures and options markets. At the same time, however, no substantive regulation exists for the ever-growing array of foreign futures contracts that are being marketed to the U.S. public. Thus, both the firms retailing foreign futures and the exchanges where these instruments are traded now enjoy a competitive edge over U.S. markets.

By imposing substantive regulation on U.S. solicitations of foreign futures and options, the CFTC has the opportunity to protect U.S. customers from fraud and other abuses. Moreover, when implemented, CFTC rules in this area could help to eliminate the existing competitive imbalance for foreign and domestic products. We are concerned, however, that the Commission's proposed rules and accompanying exemptions will not have these desired effects. Indeed, we would be most disturbed if the Commission adopted its regulations in substantially the same form as proposed.

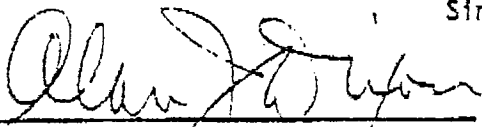
We fear that the substantive benefits of the CFTC's proposed rules will be erased by the exceptions and exemptions which are built into those rules. Moreover, the fact that the CFTC imposes on domestic futures markets many significant regulations in areas where foreign governments have chosen not to regulate their markets also contributes to unfair competitive imbalances.

Clearly, some of the restraints which govern the offer and sale of domestic futures are necessary and must be applied for domestic and foreign products alike, e.g., the exchange trading requirement and uniform minimum capital rules. But other regulations may be unnecessary and operate as a handicap on U.S. markets in the international competition confronting them.

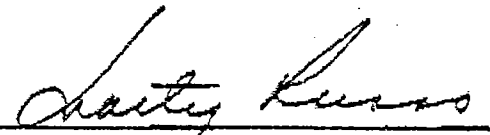
- Page 2 -

We know you share our concern that U.S. competitiveness in international markets not be undermined by government regulatory policies. Experience teaches that the U.S. must ensure an equitable competitive balance to prevent its thriving industries, like the futures and options industries, from defaulting to their foreign competition. To the extent Commission policies affect this national goal, we would appreciate receiving your comments. In particular, we request that, through the Secretary of our delegation, Senator Alan Dixon, you keep us apprised of your progress on your most necessary foreign futures and options rule making. Thank you for your cooperation on this matter.

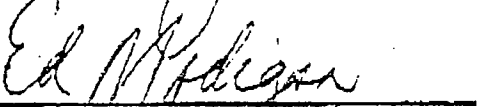
Sincerely,



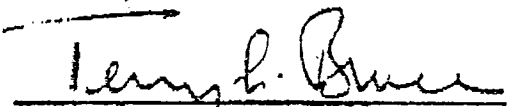
Senator Alan J. Dixon



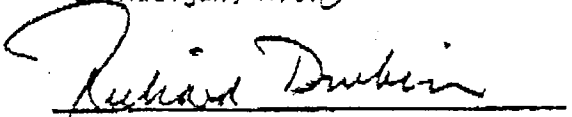
Marty Russo, M.C.



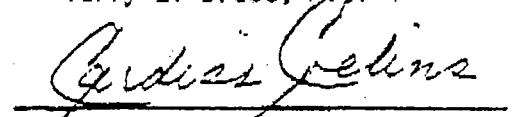
Ed Madigan, M.C.



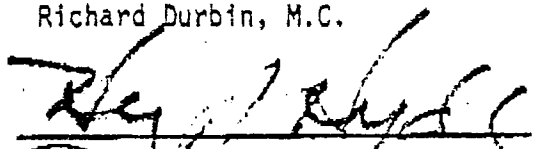
Terry L. Bruce, M.C.



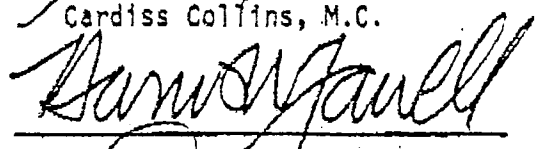
Richard Durbin, M.C.



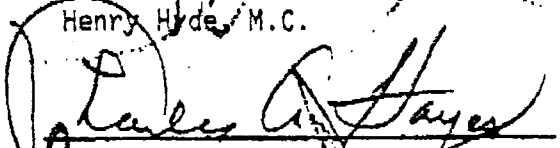
Cardiss Collins, M.C.



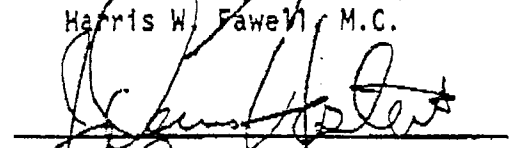
Henry Hyde, M.C.



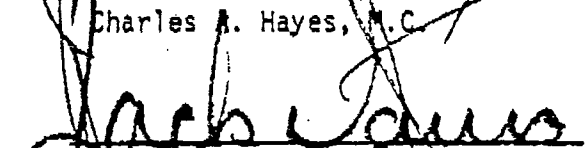
Harris W. Fawell, M.C.



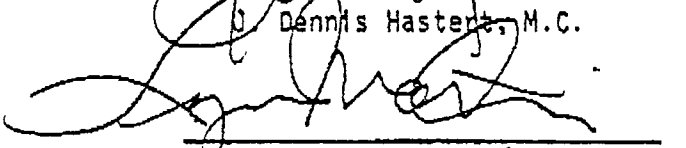
Charles A. Hayes, M.C.



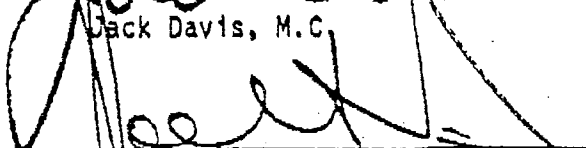
Dennis Hastert, M.C.



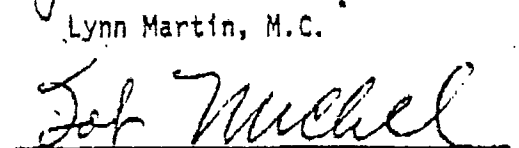
Jack Davis, M.C.



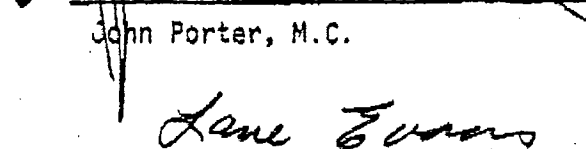
Lynn Martin, M.C.



John Porter, M.C.



Bob Michel, M.C.



Lane Evans, M.C.



Kenneth Gray, M.C.