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Folder Title:

506674

**THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**

ID# 506674

PAGE 1

FI 004

DATE RECEIVED: 05/06/2002

NAME OF CORRESPONDENT: THE HONORABLE RICHARD J. DURBIN

SUBJECT: EXPRESSES OPPOSITION TO A PROVISION IN THE FISCAL YEAR 2003 BUDGET THAT IMPOSES A TRANSACTION TAX ON UNITED STATES ECXCHANGE TRADED FUTURES AND OPTIONS CONTRACTS TO FUND THE OPERATIONS OF THE COMMODITY FUTURES TRADING COMMISSION

		ACTION		DISPOSITION		
ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION CODE	DATE YY/MM/DD	TYPE RESP	C D	COMPLETED YY/MM/DD
LEGISLATIVE AFFAIRS	NICK CALIO	ORG	2002/05/06	NC	A	2002/5/31 <i>C</i>
ACTION COMMENTS: <i>Response sent to both signees</i>						
<i>OMB</i>		<i>CJ AA</i>	<i>020603</i>		<i>A</i>	<i>027,16</i>
ACTION COMMENTS:						
<i>Dept. of Treasury</i>	<i>I</i>		<i>1 1</i>			<i>1 1</i>
ACTION COMMENTS:						
ACTION COMMENTS:						

COMMENTS

ADDITIONAL CORRESPONDENTS: 0

MEDIA: LETTER

INDIVIDUAL CODES:

REPORT CODES:

USER CODE: 1 SIGNEE

**SCANNED
BY
ORM**

ACTION CODES:

- A - APPROPRIATE ACTION
- C - COMMENT/RECOMMENDATION
- D - DRAFT RESPONSE
- F - FURNISH FACT SHEET
- I - INFO COPY/NO ACT NECESSARY
- R - DIRECT REPLY W/ COPY
- S - FOR SIGNATURE
- X - INTERIM REPLY

DISPOSITION CODES:

- A - ANSWERED
- B - NON-SEPC-REFERRAL
- C - COMPLETED
- S - SUSPENDED

OUTGOING CORRESPONDENCE:

- TYPE RESP = INITIALS OF SIGNER
- CODE = A
- COMPLETED = DATE OF OUTGOING

REFER QUESTIONS AND ROUTING UPDATES TO RECORDS MANAGEMENT (ROOM 72, OEOB) EXT-62590

KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

THE WHITE HOUSE OFFICE

REFERRAL

June 03, 2002

TO: OFFICE OF MANAGEMENT AND BUDGET

ACTION REQUESTED: APPROPRIATE ACTION

DESCRIPTION OF INCOMING:

ID: 506674

MEDIA: LETTER, DATED MAR 22, 2002

TO: PRESIDENT BUSH

FROM: THE HONORABLE RICHARD J. DURBIN
UNITED STATES SENATE
WASHINGTON, D.C. 20510

SUBJECT: EXPRESSES OPPOSITION TO A PROVISION IN THE FISCAL YEAR 2003 BUDGET
THAT IMPOSES A TRANSACTION TAX ON UNITED STATES EXCHANGE TRADED
FUTURES AND OPTIONS CONTRACTS TO FUND THE OPERATIONS OF THE
COMMODITY FUTURES TRADING COMMISSION

**PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING DAYS
OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNED AT 456-2590.**

**RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500**

OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 16, 2002

THE DIRECTOR

The Honorable Richard J. Durbin
United States Senate
Washington, DC 20510

Dear Senator Durbin:

Thank you for your March 22 letter to the President concerning the Commodity Futures Trading Commission (CFTC); I am pleased to respond on his behalf.

The Administration is proposing to assess a fee on transactions overseen by the CFTC similar to the one now imposed on securities exchanges to cover the cost of the Securities and Exchange Commission. This proposal only imposes fees only on transactions with public customers, and will not affect the activities of floor brokers, floor traders, or other registered professionals. Charging fees on market participants will not make the US exchanges less competitive, as most major competing non-US exchanges charge transaction fees to recover their operating costs. The CFTC is currently the only federal financial regulatory agency that does not recover the costs of its operations through fee assessments.

Thank you for sharing your views on this matter. I look forward to working with you on this and other issues as the Congress considers the President's FY 2003 budget.

Sincerely,

A handwritten signature in black ink that reads "M E Daniels, Jr." with a stylized flourish at the end.

Mitchell E. Daniels, Jr.
Director

Identical Letter Sent to The Honorable Charles Schumer



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 16, 2002

THE DIRECTOR

The Honorable Charles Schumer
United States Senate
Washington, DC 20510

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Sincerely,

A handwritten signature in black ink that reads "M E Daniels Jr".

Mitchell E. Daniels, Jr.
Director

Identical Letter Sent to The Honorable Richard J. Durbin

506674

United States Senate

WASHINGTON, DC 20510

March 22, 2002

The President
The White House
Washington, DC

Dear Mr. President:

We are writing to express our opposition to a provision in the Fiscal Year 2003 Budget that imposes a transaction tax on U.S. exchange-traded futures and options contracts to fund the operations of the Commodity Futures Trading Commission. Congress has already rejected this tax, first proposed by the Clinton Administration, due to the competitive threat it would pose to U.S. futures exchanges and their employees.

As proposed, this new tax will initially cost \$66 million per year, essentially doubling the trading costs of the major liquidity providers on U.S. regulated futures markets at a time when U.S. markets are under intense competitive attack by foreign exchanges and unregulated electronic trading markets. Those foreign and domestic competitors that have taken the largest share of the markets formerly regulated by the CFTC will not be subjected to any such transaction tax. If such a tax renders these exchanges uncompetitive and the markets are lost to overseas and unregulated competitors, tax revenue will be lost as well. Consequently, this provision may achieve the opposite of its intended aim.

This provision in the budget also overlooks the fact that regulated exchanges and the users of such exchanges already incur very substantial costs to insure that the system of self regulation mandated by Congress operates effectively. Regulated exchanges expend more than \$30 million annually on such self regulatory functions and spend \$28 million annually to fund the National Futures Association, a registered self regulatory organization, to ensure effective market surveillance.

The risk to U.S. exchanges is not academic. Volumes of futures contracts have moved offshore and a significant part of the business of regulated futures exchanges has already moved into unregulated OTC markets. The two major Chicago futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, are responsible for over 100,000 jobs in the Chicago area and put over \$35 billion nightly in Chicago banks. The New York Mercantile Exchange plays a similar role for commodities futures. These exchanges are critically important to our financial system and to American agriculture.

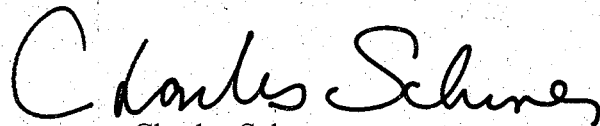
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In our view, the likely economic effects of this tax make it a risk not worth taking, and we urge you to eliminate this proposal from the 2003 budget.

Sincerely,



Richard J. Durbin
United States Senate



Charles Schumer
United States Senate

506674

May 31, 2002

Dear Senator Durbin:

This is to acknowledge the receipt of your letter to the President expressing your opposition to a proposed transaction tax on U.S. exchange-traded futures and options contracts in order to fund the operations of the Commodity Futures Trading Commission.

I hope you will understand that in light of the tragic events of September 11th, enhanced screening of all incoming White House mail prevented our office from receiving your correspondence and providing you with a prompt reply to your letter.

I have shared your letter with the President's advisors and the appropriate agencies who have been formulating policy recommendations in this area. Your letter is receiving their close and careful attention.

Thank you for your patience.

Sincerely,

Nicholas E. Calio
Assistant to the President and
Director of Legislative Affairs

The Honorable Richard Durbin
United States Senate
Washington, DC 20510

020603

506674

May 31, 2002

Dear Chuck:

This is to acknowledge the receipt of your letter to the President expressing your opposition to a proposed transaction tax on U.S. exchange-traded futures and options contracts in order to fund the operations of the Commodity Futures Trading Commission.

I hope you will understand that in light of the tragic events of September 11th, enhanced screening of all incoming White House mail prevented our office from receiving your correspondence and providing you with a prompt reply to your letter.

I have shared your letter with the President's advisors and the appropriate agencies who have been formulating policy recommendations in this area. Your letter is receiving their close and careful attention.

Thank you for your patience.

Sincerely,

Nicholas E. Calio
Assistant to the President and
Director of Legislative Affairs

The Honorable Charles Schumer
United States Senate
Washington, DC 20510

020608

Name	Date
Thais Conway	1/30/03