

COMMODITY MARKETS OVERSIGHT COALITION

An Alliance of Derivatives End-Users & Reform Advocates

November 24, 2010

United States Senate
The Capitol Building
Washington, DC 20510

Subject: Concerns Regarding the Regulated Investment Company Modernization Act of 2010

Dear Senator:

The undersigned members of the Commodity Markets Oversight Coalition (CMOC) write to express our concern with Section 201 of the Regulated Investment Company Modernization Act of 2010 (S.3948/H.R.4337) and the potential negative effects it may have on commodity markets and consumers.

Formed in 2007, the CMOC represents an array of interests, including commodity producers, processors, distributors, retailers, commercial and industrial end-users, and average American consumers. The CMOC advocates in favor of government policies that promote stability and confidence in the commodity markets and that preserve the interests of *bona fide* hedgers, consumers and the broader economy.

The Regulated Investment Company Modernization Act (H.R.4337) was introduced by Rep. Charles Rangel of New York on December 16, 2009 and was passed by voice vote in the U.S. House of Representatives on September 28, 2010. The Senate version (S.3948) was introduced by Sen. Jeff Bingaman of New Mexico on November 17, 2010. We understand the bill may receive floor consideration when the Senate reconvenes next week.

Section 201 of the bill could dramatically increase speculative investments in the commodity markets. Under existing law, 90 percent of the investment revenues accrued by mutual funds must be realized through investments in securities, and no more than 10 percent may be realized through alternative or "risky" investments, including commodity investments. Section 201 would eliminate this restriction for commodity investments.

Although many mutual funds are eager to expand their financial commitments in commodities, such investment strategies are extremely risky. Additionally, many now utilize commodity index and exchange-traded funds, which employ a controversial "passive" investment strategy that some argue leads to excessive speculation and volatility in commodity markets, including energy and agriculture.

Therefore, we urge that the Senate remove Section 201 from the bill and that Congressional hearings be conducted to determine the potential effect that such a modification will have on U.S. commodity markets, especially on energy and food prices.

Thank you for your consideration.

Sincerely,

Air Transport Association
American Public Gas Association
American Trucking Associations
Arkansas Oil Marketers Association
California Independent Oil Marketers Association

Colorado/Wyoming Petroleum Marketers Association
Columban Center for Advocacy and Outreach
Consumer Federation of America
Consumer Watchdog
Florida Petroleum Marketers Association
Food & Water Watch
Fuel Merchants Association of New Jersey
Gasoline and Automotive Service Dealers of America, Inc.
Illinois Petroleum Marketers Association
Independent Connecticut Petroleum Association
Institute for Agriculture & Trade Policy
Louisiana Oil Marketers & Convenience Store Association
Massachusetts Oilheat Council
Maine Energy Marketers Association
Maryknoll Office for Global Concerns
Mid-Atlantic Petroleum Distributors' Association
Montana Petroleum Marketers & Convenience Store Association
National Association of Oilheating Service Managers
National Association of Truckstop Operators
National Farmers Union
National Grange
National Latino Farmers & Ranchers Trade Association
Nebraska Petroleum Marketers & Convenience Store Association
New England Fuel Institute
New Jersey Citizen Action Oil Group
New Mexico Petroleum Marketers Association
New York Oil Heating Association
North Dakota Petroleum Marketers and North Dakota Retail Associations
Ohio Petroleum Marketers & Convenience Store Association
Oil Heat Institute of Long Island
Oil Heat Council of New Hampshire
Oil Heat Institute of Rhode Island
The Organization for Competitive Markets
Petroleum & Convenience Marketers of Alabama
Petroleum Marketers Association of America
Petroleum Marketers & Convenience Store Association Kansas
Petroleum Marketers & Convenience Stores of Iowa
Propane Gas Association of New England
Public Citizen
R-CALF USA
South Dakota Petroleum & Propane Marketers Association
Utah Petroleum Marketers & Retailers Association
Vermont Fuel Dealers Association
West Virginia Oil Marketers and Grocers Association