



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Shultz
cc: Chairman
Commissioner
Div. DIX
OEA

January 20, 2004

The Honorable James E. Newsome
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

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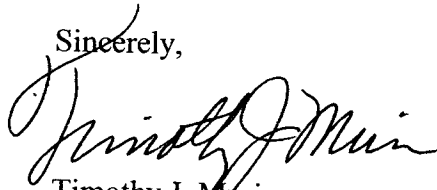
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OFFICE

Dear Chairman Newsome:

I am forwarding a courtesy copy of the letter that the Federal Trade Commission recently sent to the Commodity Futures Trading Commission regarding the application of U.S. Futures Exchange, L.L.C. (USFE) for contract market designation. USFE, a subsidiary of the European firm Eurex, seeks to establish a U.S.-registered futures exchange on which contracts involving U.S. Treasury securities could be traded.

The letter addresses the likely impact of new entry on consumers, but does not address the regulatory issues relating to the application. The letter argues that new entry would likely benefit consumers; it also discounts concerns raised by the incumbents, including the possibility that a new entrant could engage in successful predatory pricing. In addition, the letter criticizes public restraints, such as regulatory barriers, that impede competition, and notes that such regulatory barriers can prevent the entry of new competitors, thereby stifling innovation and allowing firms to charge higher prices.

Sincerely,


Timothy J. Muris

Enclosure