

**TESTIMONY OF PETER REITZ,
MEMBER OF THE EXECUTIVE BOARD,
ON BEHALF OF EUREX
BEFORE
THE UNITED STATES COMMODITY FUTURES TRADING
COMMISSION AND
THE UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**

SEPTEMBER 2, 2009

Good morning. I am Peter Reitz, a member of the Executive Board of Eurex. Chairman Gensler, Chairman Schapiro, and Commissioners of the CFTC and of the SEC, I appreciate this opportunity to appear before you today. We would like to congratulate you on demonstrating such leadership in advancing the effort to harmonize the regulatory environment in which we, our members, and their customers operate.

Like other non-U.S. exchanges, Eurex became acutely aware of the lack of harmony in U.S. trading requirements when we sought to offer our products in the United States. Consequently, I would like to focus on just two aspects of the regulatory environment where greater harmonization would remove impediments that U.S. residents face with respect to access to markets and products like those that Eurex provides.

U.S. residents have been able to become members of Eurex for more than 13 years. Today, 74 of Eurex's 405 members are U.S. resident entities, meaning that they access the Eurex trading platform directly from the U.S. under conditions established in a CFTC letter.

The government bond and stock index contracts that Americans can trade on Eurex are among the most actively traded contracts not just at Eurex but in the world. We know, for example, that U.S. members are very active traders in our Dow Jones EURO STOXX 50 Index futures but these same members are not currently permitted to trade directly in the EURO STOXX 50 Index options contract.

However, many U.S. firms find products like the EURO STOXX 50 Index options contract so necessary to their trading strategies, that they set up entities abroad simply to trade them. These are actual offices staffed by competent and responsible employees.

At the same time, there are a number of well-known U.S. financial institutions which conduct the bulk of their trading on Eurex for both their U.S. affiliates and U.S. customers through terminals located outside the U.S. so they can manage the full array of business for their qualified customers and affiliates from a single location.

I would also like to point out that both Eurex's options and futures are overseen by the same regulatory authorities in Germany with an equally robust level of regulation.

Furthermore, both types of contracts are cleared by Eurex Clearing, which both the SEC and CFTC recently allowed to clear different types of OTC products on behalf of U.S. residents.

Current law and regulatory policies cause U.S. participants in foreign stock options markets to incur higher operational risks and costs. And, today, trading by such U.S. firms is not as transparent to U.S. authorities as it could be. These results do not further the public interest or help protect U.S. investors.

As a first step to harmonize U.S. members' access to our futures and stock options, Eurex recently amended its request for exemption from the SEC's registration requirements so that we can provide direct market access to U.S. broker dealers. If granted, U.S. members would be able to trade index options and options on liquid German stocks, putting their trade executions on an equal footing with their futures trading and other Eurex members.

Alternatively, Eurex respectfully asks that as a result of this undertaking the Commissions recommend that Congress codify the current CFTC policies on direct market access and apply them to all exchange-listed derivatives that fall within the Commissions' interests.

The other issue that I would like to highlight today concerns the growing gap that has developed between the procedures applicable to the listing of foreign stock index futures contracts at the CFTC and the greater efficiency of the streamlined approval procedures which apply to all other exchange-listed derivatives. It is not out of the ordinary for approval of broad based stock index futures contract to take a year or longer.

About ten years ago the SEC developed a process whereby a domestic exchange could list products that met certain criteria that the SEC had previously approved for that exchange. This offers a good model for permitting broad based foreign stock indexes. Eurex has submitted a petition for rulemaking at the CFTC which would provide a streamlined procedure for determining whether an index on a foreign exchange qualified as broad-based and meets the other criteria to be offered to U.S. persons.

Eurex commends the Commissions for holding these joint meetings. We look forward to working together with the Commissions and I look forward to your questions.