Subject: RE: New Draft of the Retail Swaps Report

I have contacted both Enron and Blackbird--Enron is fine with being named as an interviewee, have not yet heard from Blackbird.

-----Original Message-----
From: Norman.Carleton@do.treas.gov [mailto:Norman.Carleton@do.treas.gov]
Sent: Wednesday, December 05, 2001 1:38 PM
To: Alexander_M._Brill@cea.eop.gov; nazareth@sec.gov; blaineb@sec.gov; colby@sec.gov; bzs@federalreserve.gov; dwall@fdic.gov; dhow@federalreserve.gov; diane.virzera@ny.frb.org; donald.lamson@occ.treas.gov; Matthew.Eicher@do.treas.gov; polise@sec.gov; joyce.hansen@ny.frb.org; kathryn.dick@occ.treas.gov; kurt.wilhelm@occ.treas.gov; lsantamorena@bpd.treas.gov; mbrown@fdic.gov; Peter.Nickoloff@do.treas.gov; Michael.Novey@do.treas.gov; dombalagiano@sec.gov; m1mp00@frb.gov; m1apw00@frb.gov; Heidilynn.e.Chultheiss@do.treas.gov; Sheila.Bair@do.treas.gov; Timothy.Bitsberger@do.treas.gov; Martha.Ellett@do.treas.gov; Jose.Gabillondo@do.treas.gov; Jared.Gross@do.treas.gov; Brian.Roseboro@do.treas.gov; Gary.Sutton@do.treas.gov; Mark.Wiedman@do.treas.gov
Cc: Sheila.Bair@do.treas.gov; Timothy.Bitsberger@do.treas.gov; Martha.Ellett@do.treas.gov; Jose.Gabillondo@do.treas.gov; Jared.Gross@do.treas.gov; Brian.Roseboro@do.treas.gov; Gary.Sutton@do.treas.gov; Mark.Wiedman@do.treas.gov

Subject: New Draft of the Retail Swaps Report

<<Retail Swap St -- (12-05 draft)1.doc>>  <<12-05 draft redline1.doc>>

To the Retail Swaps Study Group:

Attached is a new draft of the retail swaps report. One of the attachments is a clean document; the other shows changes made to the December 3 draft.

[(b)(5)]

Please send around any comments you have as soon as possible.

Also, for those who have not done it yet, please contact the interviewees for which your agency is responsible in order to determine that they agree
to have their names listed in an appendix to this report.

Norman Carleton
-----Original Message-----
From: Zwirb, Robert S. [mailto:zwirb@cftc.gov]
Sent: Tuesday, June 19, 2001 2:35 PM
To: 'Norman.Carleton@do.treas.gov'
Subject: Suggested Interviewees

Here is our list of organizations/individuals that we propose to interview for the retail swaps study:

National Grain Trade Council
Enron
FIA
Managed Funds Assn
Refco
Bob MacKay (former chief of staff at CFTC)
Attached please find notes from the interviews conducted with Enron and Blackbird.

<<Enron - retail swaps interview-not highlighted.doc>>
<<Blackbird-revised.DOC>>
Retail Swaps Interview with Enron on August 2, 2001.
Christopher Long, Vicki Sharp, Ken Raisler, Scott Gahn, and Mark Taylor represented
Enron at the interview.
[For convenience, Enron’s responses are condensed and have been reorganized such that
they appear under the relevant questions.]

1. What do you see as the potential uses of retail swaps?

   [(b)(4), (b)(5)]

2. Are you willing to offer retail swaps (or currently doing so)? If not, why not?

   [(b)(4), (b)(5)]

   - What types of underlying assets?

     [(b)(4), (b)(5)]
• What types of contracts?
  
  [(b)(4) , (b)(5)]

• In what notional amounts?
  
  [(b)(4) , (b)(5)]

• What types of retail counterparties? Individuals? Small businesses? Other?
  
  [(b)(4) , (b)(5)]

• What are the risks involved in offering these products? How would you (do you) manage those risks?
  
  [(b)(4) , (b)(5)]
3. What is the appropriate regulatory structure to address customer protection issues that may arise in connection with the offering of retail swaps?

[(b)(5)]

- Is there a need for regulation to protect customers?

[(b)(5)]

- Should the regulatory structure differ depending on whether the entity offering/booking the swaps is otherwise regulated?

[(b)(5)]

- Should the regulatory structure differ depending on whether the market for the underlying asset is subject to regulation?

[(b)(5)]

4. What other matters (for example, tax and other regulatory issues) are necessary or appropriate for a study of retail swaps to address?

[(b)(4)]

01607
Retail Swaps Interview with Blackbird on August 1, 2001. Mark Brickell and Shawn Dorsch represented Blackbird. In an attempt to organize Blackbird’s comments and responses, I have placed their comments under the most suitable question.

1. What do you see as the potential uses of retail swaps?

   [(b)(4), (b)(5)]

2. Are you willing to offer retail swaps (or currently doing so)? If not, why not?

   [(b)(4), (b)(5)]

- What types of underlying assets?

   [(b)(4), (b)(5)]
[(b)(4), (b)(5)]

- What types of contracts?
- In what notional amounts?
  
  [(b)(4), (b)(5)]

- What types of retail counterparties? Individuals? Small businesses? Other?
  
  [(b)(4), (b)(5)]

- What are the risks involved in offering these products? How would you (do you) manage those risks?
  
  [(b)(4), (b)(5)]

3. What is the appropriate regulatory structure to address customer protection issues that may arise in connection with the offering of retail swaps?

  [(b)(5)]
• Is there a need for regulation to protect customers?

• Should the regulatory structure differ depending on whether the entity offering/booking the swaps is otherwise regulated?

• Should the regulatory structure differ depending on whether the market for the underlying asset is subject to regulation?

4. What other matters (for example, tax and other regulatory issues) are necessary or appropriate for a study of retail swaps to address?
[(b)(4)]
Attached please find final versions of the notes from the Blackbird & Enron interviews. [(b)(5)]
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Retail Swaps Interview with Blackbird on August 1, 2001.
Mark Brickell and Shawn Dorsch represented Blackbird.
In an attempt to organize Blackbird’s comments and responses, I have placed their comments under the most suitable question.

1. What do you see as the potential uses of retail swaps?

   [(b)(4), (b)(5)]

2. Are you willing to offer retail swaps (or currently doing so)? If not, why not?

   [(b)(4), (b)(5)]

- What types of underlying assets?

   [(b)(4), (b)(5)]
• What types of contracts?
• In what notional amounts?

• What types of retail counterparties? Individuals? Small businesses? Other?

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• Is there a need for regulation to protect customers?

[(b)(5)]

• Should the regulatory structure differ depending on whether the entity offering/booking the swaps is otherwise regulated?

[(b)(5)]

• Should the regulatory structure differ depending on whether the market for the underlying asset is subject to regulation?

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CONFIDENTIAL

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[For convenience, Enron’s responses are condensed and have been reorganized such that they appear under the relevant questions.]

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   [(b)(4), (b)(5)]

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- What types of underlying assets?
- What types of contracts?

- In what notional amounts?

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[(b)(5)]

4. What other matters (for example, tax and other regulatory issues) are necessary or appropriate for a study of retail swaps to address?

[(b)(4)]
Enron should be listed as "Enron Energy Services, Inc."

----Original Message-----
From: Peter.Nickoloff@do.treas.gov
Sent: Thursday, December 13, 2001 10:38 AM
To: Peter.Nickoloff@do.treas.gov; Norman.Carleton@do.treas.gov;
nazaretha@sec.gov; blaineh@sec.gov; colbyr@sec.gov; ddow@cftc.gov;
efox@cftc.gov; polisej@sec.gov; dombalagiano@sec.gov; m1gmp00@frb.gov;
mlapw00@frb.gov; Heidilynn.Schultheiss@do.treas.gov
Cc: Sheila.Bair@do.treas.gov; Timothy.Bitsberger@do.treas.gov;
Martha.Ellett@do.treas.gov; Jose.Gabilondo@do.treas.gov;
Jared.Gross@do.treas.gov; Brian.Roseboro@do.treas.gov;
Gary.Sutton@do.treas.gov; Mark.Wiedman@do.treas.gov;
Michael.Novey@do.treas.gov; Matthew.Eichner@do.treas.gov;
Viva.Hammer@do.treas.gov
Subject: Retail Swaps Study -- Complete with Appendix 3

Attached is the final draft of the retail swaps study, complete with Appendix 3 (tax treatment).

[(b)(5)]

Please let us know as soon as possible today if this proposal is acceptable.

Thank you.

<<Retail Swap St -- (12-10 draft)3.doc>>
Did you change Enron to Enron Energy Service, Inc., and Blackbird to Blackbird Holdings, Inc.?

-----Original Message-----
From: Peter.Nickoloff@do.treas.gov
Sent: Tuesday, December 18, 2001 10:25 AM
To: efox@cftc.gov
Subject: Retail Swaps Study -- Clearance status?

Hi Elizabeth,

What the clearance status of the report at the CFTC? It's nearly ready to go to the Secretary here, and the Fed Board yesterday voted 7-0 to approve the report. It's making slow but steady progress at the SEC.

Also, how many copies of the report will the CFTC require?

Please let me know. Thanks.

Peter Nickoloff
Office of Federal Finance Policy Analysis
U.S. Department of the Treasury
Room 5011 MT
Washington, D.C. 20220

t. 202/622-1692
f. 202/622-0974
e. peter.nickoloff@do.treas.gov
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<<Blackbird-revised.DOC>>
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1. What do you see as the potential uses of retail swaps?

   [(b)(4) , (b)(5)]

2. Are you willing to offer retail swaps (or currently doing so)? If not, why not?

   [(b)(4) , (b)(5)]

- What types of underlying assets?

   [(b)(4) , (b)(5)]
[(b)(4), (b)(5)]

- What types of contracts?
  
  [(b)(4), (b)(5)]

- In what notional amounts?
  
  [(b)(4), (b)(5)]

- What types of retail counterparties? Individuals? Small businesses? Other?
  
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- What are the risks involved in offering these products? How would you (do you) manage those risks?
  
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3. What is the appropriate regulatory structure to address customer protection issues that may arise in connection with the offering of retail swaps?

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[(b)(5)]

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Sent: Wednesday, December 05, 2001 1:38 PM
To: Alexander M. Brill@cea.eop.gov; nazaretha@sec.gov; blaineb@sec.gov; colbyr@sec.gov; Zwirnb, Robert S.; dwall@fdic.gov; Dow, Deana H.; diane,virzer@ny.frb.org; donald.lamson@occ.treas.gov; Matthew.Eichner@do.treas.gov; Eric.Hirschhorn@ots.treas.gov; Viva.Hammer@do.treas.gov; polise@sec.gov; joyce.hansen@ny.frb.org; kathryn.dick@occ.treas.gov; Kurt.Wilhelm@occ.treas.gov; lsantamorena@bpdp.treas.gov; mbrown@fdic.gov; Peter.Nickoloff@do.treas.gov; Michael.Novey@do.treas.gov; dombalagiano@sec.gov; mlpmpp00@frb.gov; mlapw08@frb.gov; Heidilynne.Schulteiss@do.treas.gov
Cc: Sheila.Bair@do.treas.gov; Timothy.Bitsberger@do.treas.gov; Martha.Elliot@d.o.treas.gov; Jose.Gabilondo@do.treas.gov; Jared.Gross@do.treas.gov; Brian.Roseboro@do.treas.gov; Gary.Sutton@do.treas.gov; Mark.Wiedman@do.treas.gov
Subject: New Draft of the Retail Swaps Report

<<Retail Swap St -- (12-05 draft)1.doc>>
<<12-05 draft readline.doc>>

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Cc: Sheila.Bair@do.treas.gov; Timothy.Bitsberger@do.treas.gov; Martha.Ellett@do.treas.gov; Jose.Gabilondo@do.treas.gov; Jared.Gross@do.treas.gov; Brian.Roseboro@do.treas.gov; Gary.Sutton@do.treas.gov; Mark.Wiedman@do.treas.gov
Subject: RE: New Draft of the Retail Swaps Report

<<Retail Swap St -- (12-05 draft)1.doc>>
<<12-05 draft redline1.doc>>

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Attached is a new draft of the retail swaps report. One of the attachments is a clean document; the other shows changes made to the December 3 draft.

[(b)(5)]
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Norman Carleton
Carleton, Norman

From: Remy, Christine [cremy@CFTC.gov]
Sent: Wednesday, August 15, 2001 9:39 AM
To: 'blaineb@sec.gov'; 'kurt.wilhelm@ccc.treas.gov'; 'matthew.eichner@do.treas.gov'; 'mbrowne@fdic.gov'; 'norman.carleton@do.treas.gov'; 'polisej@sec.gov'; 'pwhite@frb.gov'; 'patrick.parkinson@frb.gov'; 'dombalagiano@sec.gov'; 'Joyce.Hansen@ny.frb.org'; 'Diane.Vrzara@ny.frb.org'; 'Adelina.Bonanno@ny.frb.org'; 'Bcb.Gasperini@ny.frb.org'; 'Heidilynne.Schultheiss@co.treas.gov'; 'Peter.Nickoloff@do.treas.gov'
Cc: Fox, Elizabeth L. R.
Subject: Retail Swaps Study-Blackbird & Enron Interviews

[(b)(5)]

<<Blackbird interview -FINAL.DOC>>  <<Enron interview - FINAL.doc>>
1. What do you see as the potential uses of retail swaps?

   [(b)(4), (b)(5)]

2. Are you willing to offer retail swaps (or currently doing so)? If not, why not?

   [(b)(4), (b)(5)]

- What types of underlying assets?
• What types of contracts?
  [[(b)(4), (b)(5)]

• In what notional amounts?
  [[(b)(4), (b)(5)]

• What types of retail counterparties? Individuals? Small businesses? Other?
  [(b)(4), (b)(5)]

• What are the risks involved in offering these products? How would you (do you) manage those risks?
  [(b)(4), (b)(5)]
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[(b)(5)]

- Is there a need for regulation to protect customers?

[(b)(5)]

- Should the regulatory structure differ depending on whether the entity offering/booking the swaps is otherwise regulated?

[(b)(5)]

- Should the regulatory structure differ depending on whether the market for the underlying asset is subject to regulation?

[(b)(5)]

4. What other matters (for example, tax and other regulatory issues) are necessary or appropriate for a study of retail swaps to address?

[(b)(4)]

02437
Carleton, Norman

From: Remy, Christine [cremy@CFTC.gov]
Sent: Monday, August 13, 2001 11:11 AM
To: 'blaineb@sec.gov'; 'kurt.wilhelm@occ.treas.gov'; 'matthew.eichner@do.treas.gov';
'mbrowne@fdic.gov'; 'norman.carleton@do.treas.gov'; 'polisej@sec.gov'; 'pwhite@frb.gov';
'patrick.parkinson@frb.gov'; 'dombalagiano@sec.gov'; 'Joyce.Hansen@ny.frb.org';
'Diane.Virzera@ny.frb.org'; 'Adelina.Bonanno@ny.frb.org'; 'Bob.Gasperin@ny.frb.org';
'Heidilynnre.Schultzheiss@do.treas.gov'; 'Peter.Nickoloff@co.treas.gov'
Cc: Fox, Elizabeth L. R.
Subject: Retail Swaps Study

[(b)(5)]

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1. What do you see as the potential uses of retail swaps?
   
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- What types of underlying assets?
  
  [(b)(4), (b)(5)]
[(b)(4), (b)(5)]

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[(b)(4)]
Thoughts?

Tracking:
- Recipient
  - Schultheiss, Heidilayne
  - Nickoloff, Peter

Delivery
- Delivered: 8:30/01 9:34 AM
- Delivered: 8:30/01 9:34 AM

Read
- Read: 8:30/01 9:34 AM
- Read: 8:30/01 9:38 AM

02448

01300000001057
-----Original Message-----
From: Remy, Christine [mailto:cremy@cftc.gov]
Sent: Wednesday, August 15, 2001 9:39 AM
To: 'blaineb@sec.gov'; 'kurt.wilhelm@occ.treas.gov';
'matthew.eichner@do.treas.gov'; 'mmbrowne@fdic.gov';
'norman.carleton@do.treas.gov'; 'polisej@sec.gov'; 'pwhite@frb.gov';
'patrick.parkinson@frb.gov'; 'dombalagiano@sec.gov';
'Joyce.Hansen@ny.frb.org'; 'Diane.Virzeras@ny.frb.org';
'Adelina.Bonanno@ny.frb.org'; 'Bob.Gasperini@ny.frb.org';
'Heidilynne.Schulteiss@do.treas.gov'; 'Peter.Nickoloff@do.treas.gov'
CC: Fox, Elizabeth L. R.
Subject: Retail Swaps Study-Blackbird & Enron Interviews

[(b)(5)]

<<Blackbird interview -FINAL.DOC>>  <<Enron interview - FINAL.doc>>

>
CONFIDENTIAL

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[(b)(4)]
From: Carleton, Norman
Sent: Friday, September 07, 2001 11:55 AM
To: Alexander M. Brill (E-mail)
Subject: FW: Retail Swaps Study-Blackbird & Enron Interviews

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From: Remy, Christine [mailto:cremy@cftc.gov]
Sent: Wednesday, August 15, 2001 9:39 AM
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Subject: Retail Swaps Study-Blackbird & Enron Interviews

[(b)(5)]

<<Blackbird interview -FINAL.DOC>>  <<Enron interview - FINAL.doc>>

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Retail Swaps Interview with Enron on August 2, 2001.
Christopher Long, Vicki Sharp, Ken Raisler, Scott Gahn, and Mark Taylor represented
Enron at the interview.
[For convenience, Enron’s responses are condensed and have been reorganized such that
they appear under the relevant questions.]

1. What do you see as the potential uses of retail swaps?

   [(b)(4), (b)(5)]

2. Are you willing to offer retail swaps (or currently doing so)? If not, why not?

   [(b)(4), (b)(5)]

   • What types of underlying assets?
- What types of contracts?
  [(b)(4) , (b)(5)]

- In what notional amounts?
  [(b)(4) , (b)(5)]

- What types of retail counterparties? Individuals? Small businesses? Other?
  [(b)(4) , (b)(5)]

- What are the risks involved in offering these products? How would you (do you) manage those risks?
  [(b)(4) , (b)(5)]
3. What is the appropriate regulatory structure to address customer protection issues that may arise in connection with the offering of retail swaps?

[(b)(5)]

- Is there a need for regulation to protect customers?

[(b)(5)]

- Should the regulatory structure differ depending on whether the entity offering/booking the swaps is otherwise regulated?

[(b)(5)]

- Should the regulatory structure differ depending on whether the market for the underlying asset is subject to regulation?

[(b)(5)]

4. What other matters (for example, tax and other regulatory issues) are necessary or appropriate for a study of retail swaps to address?

[(b)(4)]
[(b)(4), (b)(5)]
Here is our list of organizations/individuals that we propose to interview for the retail swaps study:

National Grain Trade Council
Enron
PIA
Managed Funds Assn
Refco
Bob MacKay (former chief of staff at CFTC)
-----Original Message-----
From: Carleton, Norman
Sent: Friday, September 07, 2001 5:11 PM
To: Lori Sanatamorena (E-mail)
Subject: FW: Retail Swaps Study-Blackbird & Enron Interviews

-----Original Message-----
From: Remy, Christine [mailto:cremy@cftc.gov]
Sent: Wednesday, August 15, 2001 9:39 AM
To: 'blaineb@sec.gov'; 'kurt.wilhelm@occc.treas.gov';
'matthew.eichner@do.treas.gov'; 'mbrowne@fdic.gov';
'norman.carlton@do.treas.gov'; 'poliscj@sec.gov'; 'pwhite@frb.gov';
'patrick.parkinson@frb.gov'; 'dombalagiano@sec.gov';
'Joyce.Hansen@ny.frb.org'; 'Diane.Virzera@ny.frb.org';
'Adelina.Bonanno@ny.frb.org'; 'Bob.Gasperini@ny.frb.org';
'Heidilynn.Schultheiss@do.treas.gov'; 'Peter.Nickoloff@do.treas.gov'
Cc: Fox, Elizabeth L. R.
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• What types of contracts?

• In what notional amounts?

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• What are the risks involved in offering these products? How would you (do you) manage those risks?
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[(b)(5)]

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