



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

November 22, 1999

SECRETARY OF THE TREASURY

Mr. Kenneth L. Lay
Chairman and Chief Executive Officer
Enron Corp.
P.O. Box 1188
Houston, TX 77251-1188

Dear Ken:

Thank you for your letter regarding remarks made by John Yetter, a Treasury Department attorney, at a conference sponsored by National Economic Research Associates, Inc. in July.

I understand that Mr. Yetter's remarks at the conference reflected language contained in the Report of the President's Working Group on Financial Markets, Hedge Funds, Leverage, and the Lessons of Long-Term Capital Management, which was published in April. I am enclosing a copy of the report; the discussion concerning derivatives dealers unaffiliated with a federally regulated entity is found at pages 42 and 43.

Lee Sachs, the Assistant Secretary for Financial Markets, and Mr. Yetter met with several of your colleagues on October 6 at Enron's request to discuss the concerns that you subsequently raised in your letter. I understand that there was some discussion of the fact that the Working Group's report on over-the-counter derivatives would be completed shortly. Mr. Sachs has also informed me that he recently spoke with you on the telephone about your concerns.

The new report, Over-the-Counter Derivatives Markets and the Commodity Exchange Act, was released on November 9. A copy of this report is also enclosed. As discussed at pages 34 and 35 of the report, the Working Group is not recommending legislative action with respect to derivatives dealers that are unaffiliated with a federally regulated entity at this time.

If you have any further questions or concerns, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to be "LH Summers", written over the word "Sincerely,".

Lawrence H. Summers

Enclosure

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