



Via Email

December 16, 2010

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: *File Number S7-32-10—Prohibition Against Fraud, Manipulation, and Deception in Connection With Security-Based Swaps*¹

Dear Ms. Murphy:

I am writing on behalf of the Council of Institutional Investors (Council), a nonprofit association of public, union and corporate pension funds with combined assets that exceed three trillion dollars. Member funds are major shareowners with a duty to protect the retirement savings of millions of American workers.²

Deeply affected by the financial crisis, our member funds have a strong interest in meaningful regulatory reform. We believe that the nation's regulatory umbrella must be comprehensive, covering important financial products and players that lack adequate oversight.³ Therefore, we appreciate the opportunity to express our general support for the above referenced proposed rule that would help prevent fraud, manipulation and deception in connection with security-based swaps.

If adopted, the proposed rule would clarify that market conduct in connection with the offer, purchase or sale of any security-based swap is subject to the same general anti-fraud provisions that apply to all securities. The proposed rule would also make explicit the liability of persons that engage in misconduct in connection with ongoing payments and deliveries under a security-based swap. We believe that institutional investors and the market at large would be well served by such a rule.

¹ Prohibition Against Fraud, Manipulation, and Deception in Connection With Security-Based Swaps, 75 Fed. Reg. 68,560 (Nov. 8, 2010), available at <http://edocket.access.gpo.gov/2010/pdf/2010-28136.pdf>.

² For more information about the Council of Institutional Investors (Council) and its members, please visit the Council's website at <http://www.cii.org>.

³ Investors' Working Group, U.S. Financial Regulatory Reform: The Investors' Perspective 10 (July 2009), [http://www.cii.org/UserFiles/file/resource%20center/investment%20issues/Investors'%20Working%20Group%20Report%20\(July%202009\).pdf](http://www.cii.org/UserFiles/file/resource%20center/investment%20issues/Investors'%20Working%20Group%20Report%20(July%202009).pdf). [Following its issuance, the IWG Report was reviewed and subsequently endorsed by the Council board and membership. For more information about the Investors' Working Group, please visit the Council's website at <http://www.cii.org/iwglInfo>.]

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More specifically, as proposed, we believe the rule would help ensure that the U.S. Securities and Exchange Commission has the ability to respond through enforcement mechanisms to misconduct interfering with the independence and proper functioning of the market.⁴ It would also help to promote price efficiency, the integrity of the price discovery process and fair dealing between market participants.⁵ Ultimately, the proposed rule, if enacted, would encourage investor confidence in the security-based swap market and contribute to the overall safety and soundness of the financial system.

We appreciate the opportunity to provide our views on the Commission's proposing release. If you have any questions or need any additional information, please feel free to contact me at (202) 261-7086 or laurel@cii.org, or General Counsel Jeff Mahoney at (202) 261-7081 or jeff@cii.org.

Sincerely,

A handwritten signature in black ink that reads "Laurel Leitner". The signature is written in a cursive, flowing style.

Laurel Leitner
Senior Analyst

⁴ Mary L. Schapiro, Chairman, U.S. Securities and Exchange Commission, Opening Statement at the SEC Open Meeting: Item 2 – Preventing Fraud in Connection With Security-Based Swaps (Nov. 3, 2010), available at <http://www.sec.gov/news/speech/2010/spch110310mls-swapsfraud.htm>.

⁵ *Supra* note 1 at 68,565.