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November 8, 2010

Securities and Exchange Commission
Attention: Elizabeth M. Murphy, Secretary
100 F St., NE, Washington, DC 20549-1090.

RE: File Number S7-27-10.

Dear Chairman Mary Schapiro:

Last summer's Dodd-Frank Wall Street Reform and Consumer Protection Act contained a number of significant changes to the derivative market. In a way, the most significant was the imperative to move transactions into open clearinghouses. The point was to create transparency where there has been none.

Now the CFTC and SEC are proposing a rule that addresses possible conflicts of interest by limiting the ownership stakes a bank may have in such a clearinghouse. The trouble is that a simple limit of a 5% stake in will not prevent the concentration of ownership true reform requires. Through simple modifications of its ownership structure, shell companies, or even just collusion with allied banks, corporations with an interest in subverting these clearinghouses would be able to do so. This will not satisfy the spirit of the law as passed by Congress.

I urge the commission to reject the 5% rule, and go instead with the 20/40 rule, where there is a cap on collective institutional ownership at 40% of voting stock and 20% by any individual institution. I would further urge the commission to apply the same principle to the exchanges and swap execution facilities. The financial innovation that helped trigger the near financial collapse of 2008 must stay out in the open if we are to prevent a replay of those events. Again, creating rules that allow the banks to subvert the objectives of Dodd-Frank would be counter-productive to the creation of a banking system that deserves all of our trust.

Yours sincerely,

Tom Sgouros

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