NAPA–SOLANO CENTRAL LABOR COUNCIL

"Supporting Working Families"

November 16, 2010

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

Re: File Number S7-27-10.

Chairwoman Mary Shapiro,

Our legislature passing HR 4173, the Wall Street Reform Bill, was a step in the right direction. But as the bill moves through the regulatory process, it is vital that the commission keep these reforms on the right path.

One of the most impactful reforms was the requirement that over-the-counter derivatives be swapped through a clearinghouse, and that there be a limit placed on the percent of ownership that a given entity could hold in such a clearinghouse

Your commission is evaluating two rules as to what that limitation should be, the 20/40 Rule and the 5% Rule. The 5% Rule more drastically limits the percent an individual entity can hold in a given clearinghouse, but fails to limit the total percent of ownership that can be held by Big Banks (banks whose assets exceed $50 billion).

The 20/40 Rule allows for larger individual ownership stakes, but limits Big Banks to a collective maximum share not to exceed 40%. This prevents such banks from working together to run their own clearinghouse, thereby bypassing the accountability and third party involvement that was the intention of HR 4173.

Because the 5% Rule does not provide a limitation as to what percent of ownership can be held collectively by Big Banks, it leaves a backdoor open to such banks bypassing the oversight this bill intends. Therefore, I respectfully urge the commission to remove the 5% Rule while retaining the 20/40 Rule

Thank you,

Jon Riley,
Executive Director

cc: California Congressional Delegation

445 Nebraska Street, Vallejo, CA 94590
(707) 552-6601 – (707) 552-6602/FAX
www.napasolanoclc.org