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Via email: rule-comments@sec.gov

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

Re: File Number S7-33-10, Proposed Rules for Implementing the Whistleblower Provisions of Section 21F of the Securities Exchange Act of 1934, Release No. 34-63237 (Nov. 3, 2010)

Dear Ms. Murphy:

AT&T Inc., through its subsidiaries, employs 275,000 employees in over 60 countries. Its operations are regulated by the Federal Communications Commission, the vast majority of states, numerous local authorities, as well as foreign governments. AT&T recognizes that a strong corporate governance and compliance program is critical to the operations of every company and has a strict culture of compliance driven from the top down. Such a culture is even more essential to a company that depends on government authority to operate. AT&T has developed a compliance program that requires a high level of ethical behavior, including compliance with all applicable laws. To that end, AT&T maintains mandatory ethical and Code of Conduct training programs for all employees, offers anonymous hotlines for the reporting of complaints or violations, and repeatedly emphasizes to its employees the need to foster an ethical and compliant business environment at all times.

AT&T is writing to comment on the U.S. Securities and Exchange Commission's ("SEC" or "Commission") proposed rules implementing the whistleblower provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank").¹ AT&T is concerned that the Proposed Rules will not only have a negative impact on critical aspects of its compliance programs, but that they may actually undermine AT&T's programs and encourage unethical conduct.

At the outset, AT&T acknowledges the comments of the U.S. Chamber of Commerce, joined in by certain other entities (collectively, the "Chamber") on the proposed rules under Dodd-Frank in a letter to the Commission, dated December 7, 2010. In that letter, the Chamber expressed its own concerns about the proposed rules and recommended certain modifications.

¹ Proposed Rules for Implementing the Whistleblower Provisions of Section 21F of the Securities Exchange Act of 1934, Release No. 34-63237 (Nov. 3, 2010) available at <http://www.sec.gov/rules/proposed/2010/34-63237.pdf> ("Proposed Rules").

We join the Chamber and other signatories of the December 7 letter in their comments. Specifically, AT&T agrees with the Chamber that:

- Corporate employees should not be rewarded if they engage in, perpetuate, or fail to take action to stop internal wrongdoing.
- Corporate employees and others who have compliance responsibilities within corporations should not be rewarded if they take actions inconsistent with those obligations.
- It should be the policy of the Commission, reflected in the rules implementing the whistleblower program, to ensure that corporations are informed of potential wrongdoing involving their employees or others acting on their behalf.
- The 90-day grace period provided for whistleblowers to report information to the SEC if they first report it through an internal reporting system should be extended.
- Lastly, the whistleblower program should not be implemented in a way that inhibits companies from taking appropriate employment or other action against internal wrongdoers.

However, in one key aspect, we want to emphasize the recommendation of the Chamber that “corporate employees should not be rewarded if they engage in, perpetuate, or fail to take action to stop *internal wrongdoing*.” The Chamber recommends that “Proposed Rule 21F-2’s definition of ‘whistleblower’ should be revised to cover only individuals who report violations of the securities laws ‘by another person, and who did not participate in or facilitate the violations.’” AT&T believes that it is critical to any compliance program that an employee who is aware of potential misconduct, but who stands by silently, be barred from any award or bounty.

For example, AT&T utilizes employee project teams to develop and implement product, operational, financial or other goals. A team may be made of employees representing various operational and technical specialties and/or may include finance, human resources and legal representatives. To ensure a successful result, each team member is expected to contribute his or her knowledge, ideas and concerns to the team. More critically, each team member is also responsible for voicing any compliance or ethical concerns. Every company must rely on its employees not only to develop and implement new ideas but to do so ethically and in compliance with the company’s code of conduct.

It is especially critical that employees raise ethical and compliance concerns *before* a violation occurs. Unfortunately, the proposed rules now open the door for an employee who is involved in, or consulted on, a project where there is a potential for a future violation to hold his or her concerns until a particular matter ripens into a violation. In a bizarre twist, the whistleblower may be incented to encourage the violation. Even proposed Rule 21F-15

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expressly contemplates that some whistleblowers will be active participants in the wrongdoing. In order to protect the very compliance programs encouraged by the Commission and other agencies, the proposed Rules must be modified to prevent the rewarding of an employee who recognizes a potential violation but stands silent.

Accordingly, we would recommend that proposed Rule 21F-2(a) be modified to read, in part, “potential violation of the securities laws *by another person, and (1) you did not participate in or facilitate the violations, and (2) if you had knowledge of the potential violation by your employer or an affiliate of your employer before it occurred, you reported your knowledge to your employer’s chief legal officer or chief compliance officer or through your company’s anonymous hotline) before the violation occurred.*” In the case of the anonymous hotline, the whistleblower would be able to establish that he or she reported the potential violation by a code provided by the hotline.

The Proposed Rules should be modified to ensure that all culpable individuals are ineligible for an award. This category should include those who may not have substantially directed, planned, or initiated the misconduct but were aware of it and declined to report it internally. An employee who actively withholds information that could have prevented misconduct is no less culpable, and in some ways is more culpable, because it is those very employees who the company relies upon to prevent violations. It is the obligation of every employee to alert the company to conduct that could reasonably be expected to result in a violation of the law. To the extent the proposed rules interfere with that duty, the rules need to be modified.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in cursive script that reads "Wayne Watts". The signature is written in dark ink and is positioned below the word "Sincerely,".

cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner
Robert S. Khuzami, Director, Division of Enforcement