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Ms. Elizabeth Murphy, Secretary
Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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OFFICE OF THE SECRETARY

RE: **File Number S7-33-10**

Dear Ms. Murphy,

Pursuant to the SEC's Proposed Rules for Implementing the Whistleblower Provisions of Section 21F of the Securities Exchange Act of 1934, we submit the following comments.

While the ultimate goal of the whistleblower incentives is to strengthen the securities markets, we believe that these incentives have the potential to undermine and weaken internal compliance and ethics programs. We therefore respectfully request revisions to the proposed rules for the reasons set forth below.

Rule 21F-4(b)(4), (5)
On page 37 of the SEC's Proposed Rules, question 19 asks, "Would the proposed rules frustrate internal compliance structures and systems that many companies have established in response to Section 10A(m) of the Exchange Act, as added by Section 301 of the Sarbanes-Oxley Act of 2002, and related exchange listing standards? If so, consistent with Section 21F, how can the potential negative impact on compliance programs be minimized?

We believe the answer is yes, the proposed rules will frustrate internal compliance programs, and seriously undermine compliance structures that companies established in response to Sarbanes-Oxley. When an employee is faced with the option of either: (1) reporting a problem to their employer's anonymous hotline with no financial incentive, or (2) reporting the same problem anonymously to the government with the potential for lucrative personal gain, it's not difficult to predict which option would be more attractive. One law firm has already set up a website which states: "The new statute will no doubt make many people rich and also likely place a stop gap to many improper activities which normally would not see the light of day." See: www.secsnitch.com

This potential negative impact can only be minimized by requiring that a whistleblower first report a problem through the company's internal whistleblower processes. If a whistleblower goes directly to the SEC, a company would be denied the ability to self-report and therefore would be ineligible for the benefits of self-reporting under federal sentencing guidelines. Public policy should support retaining this important benefit for corporations.

We note the SEC's analysis on page 34 of its Proposed Rules which noted the SEC had considered the requirement of requiring potential whistleblowers to first utilize in-house reporting procedures, but ultimately decided not to include the requirement because the SEC recognized that although some companies have robust compliance programs, others do not.

With all due respect to the SEC, this approach would actually have the effect of penalizing those companies who have taken considerable time and expense in developing robust compliance programs in favor of "leveling the playing field" for those companies who have not. If the goal of compliance programs is truly to detect, prevent and deter misconduct, the companies with robust programs should not be penalized simply because other companies have not adopted such standards, rather they should receive the benefit of reports first coming through established, internal compliance procedures. Such a process would be an incentive for other companies to adopt the more robust programs.

Regards,

Randall A. Stafford