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Via E-mail to rule-comments@sec.gov

Ms. Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Proposed Whistleblower Rules; (Release No. 34-63237; File Number S7-33-10)

Dear Ms. Murphy:

OppenheimerFunds, Inc. ("OFI")[1] appreciates the opportunity to comment on the rules proposed in the above-captioned release (the "Release") by the U.S. Securities and Exchange Commission ("SEC") to implement Section 21F of the Securities Exchange Act of 1934 ("Exchange Act") which was added to the Exchange Act by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Pursuant to Section 21F, the SEC is charged with establishing a whistleblower reward program that will pay monetary awards to eligible whistleblowers who voluntarily provide the SEC with original information about a violation of the federal securities laws that leads to the successful enforcement of a covered judicial or administrative action, or a related action. OFI has serious concerns about the

[1] OFI is a registered investment adviser, providing investment management, transfer agency and, through its wholly owned subsidiary, OppenheimerFunds Distributor, Inc. ("OFDI"), distribution services to nearly 100 registered investment companies. OFI, with more than $170 billion in assets under management, has been in the investment advisory business since 1960. The OppenheimerFunds mutual funds are sold to members of the public primarily by financial intermediaries that have selling agreements with OFDI.

unintended consequences that are likely to arise from the manner in which the SEC has designed its proposed whistleblower program. Our concerns are focused primarily on two aspects of the program that will have the greatest adverse impact on mutual funds and their advisers. These two are: the program's adverse impact on internal compliance programs; and the potential for persons responsible for violations of law to receive whistleblower awards. Our concerns are discussed in more detail below.

I. REQUIRE COMPLIANCE WITH A FUND'S COMPLIANCE PROGRAM AS A CONDITION PRECEDENT TO RECEIVING A WHISTLEBLOWER AWARD

Unlike other SEC registrants, federally-registered investment companies and investment advisers are required by law to have rigorous internal compliance programs. With respect to mutual funds, since Rule 38a-1 under the Investment Company Act of 1940 ("ICA") became effective in February 2004, every mutual fund has been required to establish, maintain, and continually update a very rigorous compliance program, which is subject to regular inspections by the SEC's Office of Compliance Inspections and Examinations. Crucial to the success of these compliance programs is the ability of the fund to discover, and have the ability to redress, violations of the federal securities laws. In addition to learning about and redressing these violations, a fund must document them in the written report submitted annually to the fund's board of director/trustees, and it must detail how the fund's policies and procedures have been revised to prevent a recurrence of such violations.

Given the existence of these comprehensive compliance programs, we are concerned that the monetary awards that the SEC will offer under Section 21F of the Exchange Act will incentivize persons, particularly disgruntled employees, to report violations or suspected violations of law to the SEC rather than to the appropriate personnel within the mutual fund's internal compliance system. To avoid this result and the adverse impact it will have on the effectiveness of fund compliance systems, we believe that it is absolutely crucial that the SEC's whistleblower program be designed to respect existing compliance systems and require whistleblowers to comply with those systems prior to notifying the SEC.

We are pleased that the Release expressly recognizes the need to respect internal compliance programs and that, at the open meeting where the SEC's proposed whistleblower rules were considered, the Chairman and each Commissioner voting on the proposed rules reiterated their concerns with this aspect of the proposed rules. Notwithstanding these expressed concerns and repeated statements throughout the Release about the SEC's respect for internal compliance programs and its interest in encouraging "strong compliance programs," there is nothing in the text of the proposed rules that gives deference to, or even mentions, internal compliance programs. We believe that this is a mistake and that the proposed rules should be revised to require a potential whistleblower to comply with any internal compliance program prior to reporting any violation or suspected violation to the SEC. Doing so will maintain the integrity, structure and effectiveness of internal compliance programs and ensure that a fund and its adviser can be apprised of and take appropriate steps to address any violation or suspected violation of law concurrent with or prior to notification to the SEC. Accordingly, we suggest that the

proposed rules be modified to provide that if a whistleblower fails to comply with an internal compliance program prior to reporting a violation or suspected violation to the SEC, then that whistleblower will be ineligible for an award.

II. REVISE WHISTLEBLOWER DEFINTION TO EXCLUDE CULPABLE PERSONS

In addition, we are pleased that in certain of the rules the SEC proposed that whistleblowers not be paid awards based on monetary sanctions arising from their own misconduct, based on the notion that the whistleblower provisions in the Dodd-Frank Act were not intended to reward persons for blowing the whistle on their own misconduct. Consistent with this notion, we believe that persons who participated in a violation, directly or indirectly including any related person should be ineligible to receive any whistleblower awards. As suggested by the SEC, we believe this would be best accomplished by defining the term "whistleblower" as an individual who provides information about potential violations of the securities laws "by another person."

III. REVISE PROPOSED RULE 21F-15 TO PROHIBIT A WHISTLEBLOWER AWARD TO A CULPABLE PERSON

We agree with the principle articulated in the Release that because the common understanding of a whistleblower is one who reports misconduct by another person, it would not be consistent with the purposes of the Dodd-Frank statute to pay awards to persons based on monetary sanctions arising from their own misconduct. We also agree that a logical corollary to this principle is that a whistleblower also should not be paid an award based on monetary sanctions paid by an entity whose liability resulted from the whistleblower's conduct. Accordingly, we suggest that the SEC modify proposed Rule 21F-15 to state that no award will be paid to any person who was a direct or an indirect participant in or cause of the violation at issue. Doing so will make clear to any potential whistleblower that culpable conduct will not be rewarded by the SEC.

OppenheimerFunds, Inc. is grateful for the opportunity to provide its comments on the proposed whistleblower rules with the SEC and its staff. We also wish to express our concurrence with the comments submitted on the proposed rules by the Investment Company Institute. If you have any questions, please feel free to contact me at (212) 323-5062.

Respectfully submitted,

/s/ Ari Gabinet
Ari Gabinet
Executive Vice President &
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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

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