

Keith Paul Bishop

November 8, 2010

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549-1090

Re: File No. S7-33-10

Dear Ms. Murphy:

I am writing to comment on the proposal by Securities and Exchange Commission (the “**Commission**”) to adopt rules and forms to implement Section 21F of the Securities Exchange Act of 1934. As proposed, these rules would undermine efforts by registrants to implement and maintain effective internal compliance programs.

1. **Background.**

I am an attorney in private practice in Irvine, California and an Adjunct Professor of Law at Chapman University Law School. I previously served as California’s Commissioner of Corporations and Interim Savings & Loan Commissioner. I have also served as a member of the California Senate Commission on Corporate Governance, Shareholder Rights and Securities Transaction; Co-Chairman of the Corporations Committee of the Business Law Section of the California State Bar; and Chairman of the Business and Corporate Law Section of the Orange County (California) Bar Association. I am writing in my individual capacity and not on behalf of my law firm, the law school, any of my law firm's clients or the aforementioned groups.

2. **The Commission’s Rules Should Not Undermine Existing Compliance, Legal, Audit And Similar Internal Procedures.**

The Commission’s proposed rules will substantially undermine issuers’ existing compliance, legal, audit and similar internal procedures for identifying perceived violations of the federal securities laws. An enforcement-only approach to securities regulation is neither effective nor practical. The Commission should adopt rules that encourage voluntary compliance. Compliance is only possible when issuers have effective compliance, legal and audit programs. These programs will be materially undermined if persons who become aware of possible violations have a substantial monetary incentive to bypass those programs. As a result, incipient violations may not be identified until much later and investor losses are likely to be greater.

For these reasons, I strongly encourage the Commission to exclude any person who has failed to comply with an issuer's internal whistleblower complaint system.¹ The legislative history to Section 21F supports the conclusion that the Commission has the necessary discretion to determine eligibility standards. *See* S. Rep. No. 111-176, at 112 (2010) (Conf. Rep.) ("The SEC has discretion in determining the amount and whether or not a whistleblower is eligible to be awarded.").

Very Truly Yours,

/s/ Keith Paul Bishop

¹ The Commission should not require that the issuer's system be anonymous or confidential because these requirements are likely to preclude the issuer from conducting an effective investigation of the complaint. Moreover, it may be impossible as a practical matter to assure confidentiality. For example the size of the company or the nature of the information reported may make it very easy for other employees to determine the source of the information.