



November 16, 2010

Commodity Futures Trading Commission
Three Lafayette Centre
115521st Street NW
Washington, DC 20581

Re: RIN 3038-AD01

Chairman Gensler,

Wall Street reform is an important issue that needs appropriate attention and consideration, and it is for this reason that I write to the commission. The discussion of regulation in the derivatives market has led to the consideration of two rules, only one of which should ultimately be implemented.

These rules pertain to the ownership of clearinghouses and are referred to as the 20/40 Rule and the 5% Rule. Both rules limit the percent of ownership an entity can be hold in these clearinghouses, setting the cap at 20% and at 5%, respectively. The intent of placing a cap on ownership shares is to prevent entities from using clearinghouses they control, which would defeat the entire purpose of these clearinghouses. However, the 5% Rule fails to limit the total amount of ownership that can be held by banks with assets exceeding \$50 billion, many of whom required government intervention to survive the crash that their very activities helped precipitate. This lack of a total limit means that such banks could team up to buy shares in a given clearinghouse, and together they could hold the majority interest, defying the intent of the original requirement and associated rule.

The 20/40 Rule prevents such an end-around by limiting the total ownership that can be in the hands of such "megabanks" to at most 40%. It is this clause that is key to preventing a recurrence of past recklessness and abuses, and it is why I urge you to implement the 20/40 Rule as the sole standard by which clearinghouse ownership regulated.

Thank you,

Evan Hawkins, Executive Director

Cc: California Congressional Delegation