



The Commonwealth of Massachusetts
HOUSE OF REPRESENTATIVES
STATE HOUSE, BOSTON 02133-1054

MICHAEL F. KANE
REPRESENTATIVE
5TH HAMPDEN DISTRICT
HOLYOKE

STATE HOUSE, ROOM 473B
BOSTON, MA 02133-1054

TEL (617) 722-2263
FAX (617) 722-2837

Rep.MichaelKane@hou.state.ma.us

Vice-Chairman, Telecommunications, Utilities and Energy

Committees on:
Ways and Means
Steering, Policy and Scheduling

DISTRICT OFFICE
250 WESTFIELD ROAD
HOLYOKE, MA 01040

TEL (413) 540-9842
FAX (413) 540-9843

October 26, 2010

Chairman Gary Gensler
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Gensler:

I am writing regarding the rules proposed by the CFTC and the SEC that addresses possible conflicts of interests in clearinghouse ownership under the Dodd-Frank Wall Street Reform and Consumer Protection Act. While the intent of the proposed rule is admirable, one provision contains a flaw that would not prevent the concentration of ownership of a clearinghouse by dealer banks. This will result in less transparency, competition and risk management in the massive derivatives market.

Specifically, one of the proposed models of governance contains a provision by which a clearing facility may choose to limit the ownership voting interest of any participant, such as a dealer bank, to no more than 5 percent of the total, with no limitation on aggregate ownership by banks. This is the alternative to the more effective rule of a limitation of 20 percent of voting interest by any single institution and 40 percent of voting interest owned collectively by all institutions.

While the 20/40 rule would be effective in capping improper ownership interests, the 5 percent limitation would allow a group of banks to attain voting majority ownership and continue to pose obstacles to increased clearing of derivatives.

The same concerns apply to exchanges and swap execution facilities. The proposed ownership restrictions for exchanges are even weaker and endanger the intent of the Dodd-Frank reforms. I ask that you consider extending the 20/40 rule to exchanges and swap execution facilities in addition to eliminating the 5 percent alternative.

2010 NOV 2 PM 2 29
OFFICE OF THE SECRETARIAT
C.F.T.C.

Again, I ask you to please eliminate the 5 percent alternative, to ensure that banks cannot continue their dominance of clearing facilities. In addition, please extend the 20/40 limitation to exchanges as well as clearinghouses. These two steps will help ensure more transparency and accountability in the derivatives market and prevent a recurrence of the economic collapse that was fueled partly by abuses in this area.

Sincerely,

A handwritten signature in black ink, appearing to read "Mil".

Michael F. Kane

State Representative

5th Hampden District