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Arkansas Teacher Retirement System

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COMMENT

Commodity Futures Trading Commission
Attn: David A. Stawick, Secretary
Three Lafayette Center
1155 21st Street NW
Washington, DC 20581

RE: RIN 3038-AD01

Dear Secretary Murphy,

As Deputy Director of the Arkansas Teacher Retirement System, I would like to tell you of our full OPPOSITION to the happenings in the derivatives market. As you are aware, the recent economic crisis has led to the passage of comprehensive financial services reform package, The Wall Street Reform and Consumer Protection Act. The new law has left much of the fine-tuning to federal regulators, who are now considering final rules to implement the reforms envisioned in the landmark law.

Specific language is needed for calling out the importance of regulation in a market that has been wildly out of control and largely controlled by a few of the Nation's larger banks. With this legislation we can expect a more competitive market, transparency in the workings and reduce risk for our investments. The final version of the bill that was signed into law did not contain the specific language of the Lynch Amendment, but left it up to regulators to enact rules that would restrict ownership and prevent conflicts of interest.

Two agencies, the Commodities Future Trading Commission and the Securities and Exchange Commission have specifically echoed the concerns expressed in the Dodd-Frank and drafted regulations dealing with clearinghouse ownership. The proposed rules call for clearinghouses to follow one of two models of governance: 1) No single bank or institution can control more than 20 percent of ownership voting interest and all such institutions may not collectively own more than 40 percent of the total voting interests, OR 2) no institution may control more than 5 percent of the voting interest in a clearinghouse, with no aggregate cap on ownership by all institutions.

This proposed rule is well-intentioned and at least in the spirit of the Lynch Amendment but contains a major potential loophole that could defeat the purpose of the reforms. Specifically the 5 percent cap will not prevent continued control of the clearinghouses by banks. Whether a clearinghouse is controlled by two, 12, or 20 institutions, there is still the strong possibility that is will be subject to the same cartel-like control and conflicts if interest that would defeat the intent of the Dodd-Frank law. This will continue to put America's financial system in danger of collapse.

I hope you will support this legislative opportunity to provide clarity in a muddy market. Please support STRONG language and specific language, providing true transparency and meaningful control of the derivatives market and its participants. This will ensure the development of a vibrant and competitive market for derivatives.

Sincerely,

Gail Bolden

Gail Bolden

CC: Senator Blanche Lincoln; Senator Mark Pryor