C.F.T.C.
OFFICE OF THE SECRETARIAT

CITY OF *Worcester* 2010 NOV 22 PM 1 20
MASSACHUSETTS

COMMENT

WILLIAM J. EDDY
CITY COUNCILOR
DISTRICT 5

City Hall - Room 112
455 Main Street
Worcester, MA 01608
Telephone:
Home: (508) 799-9182
Office: (508) 799-1049
Fax: (508) 799-1015
E-mail:
eddyw@ci.worcester.ma.us

November 12, 2010

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

Dear Mr. Stawick:

The rules governing exchange derivative clearinghouses, exchanges, and swap facilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act need to properly address potential ownership conflicts of interest and prevent concentrated ownership of these facilities. This is needed to ensure more transparency and competition in the already concentrated derivatives market. However, currently one of the rules proposed by the commission to govern derivative clearinghouses would allow for a group of dealer banks to attain controlling ownership of a clearing facility.

One of the proposed rules, the 5 percent rule, would allow a group of banks to attain voting majority ownership of a facility by not limiting aggregate ownership by banks. As we know, concentrated ownership of clearing facilities can lead to less transparency and competition.

The more effective rule, the 20/40 rule, would enforce a limitation of 20 percent of voting interest by any single institution and 40 percent of voting interest owned collectively by all institutions. This would be effective in preventing improper and concentrated ownership interests in clearinghouses. Under this rule dealer banks control over the market will be limited and more derivative transactions will be cleared.

These same ownership concerns apply to derivative exchange and swap facilities. Concentrated ownership by dealer banks of these facilities will cause the same problems as in clearinghouses, fewer transactions being cleared, less transparency, and less competition. To prevent these problems, the commission should consider extending the 20/40 rule so it applies to ownership of derivative exchange and swap facilities.

I ask you to please consider eliminating the 5 percent rule. The 20/40 rule will be much more effective in preventing concentrated ownership of clearing facilities in the derivatives market, especially if the rule is extended to exchange and swap facilities in addition to clearinghouses. These two steps will result in increased transparency, stability, and competition in the derivatives market.

Sincerely,

William J. Eddy