



DENISE L. NAPPIER
TREASURER

State of Connecticut
Office of the Treasurer

HOWARD G. RIFKIN
DEPUTY TREASURER

November 15, 2010

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

Re: File Number S7-24-10 (Release Nos. 33-9148; 34-63029)
File Number S7-26-10 (Release Nos. 33-9150; 34-63091)

Dear Secretary Murphy:

I am pleased to have this opportunity to comment on the Commission's proposed rules to implement Sections 932, 942, 943, and 945 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). While these are broken into two sets of proposed rules, I will comment on them together.

As Treasurer of the State of Connecticut, my office has responsibility for the State's issuance of debt obligations and management of its \$19 billion debt portfolio, and serves as principal fiduciary of the State's \$23 billion Connecticut Retirement Plans and Trust Funds. My comments are made from the perspective both of an issuer of municipal securities and as an investor.

From the standpoint of an investor in asset-based securities, I believe the proposals in general represent a worthwhile improvement in transparency that will in turn increase the value and liquidity of these forms of securities. Resuscitating the market for these securities will, in turn, improve the housing market and help improve the economy, leading to economic growth and job creation.

However, from the standpoint of an issuer of municipal securities, I believe the Commission should defer application of any of the provisions of Subtitle D of Title IX of Dodd-Frank to municipal securities until more basic policy issues are resolved. At the outset I would like to state the obvious: the question of the degree to which the Commission should regulate the issuance of securities by states and political subdivisions is a matter of some controversy. Generally speaking, existing law, and in particular the Tower Amendment, has limited the powers of the Commission in this regard. I am not

convinced that the benefits of repealing the Tower Amendment, if any, would outweigh the significant costs and burdens that could be imposed, but I am open to a careful analysis of the issue. If lower interest rates paid by issuers are the result, or greater transparency for investors is achieved, then that may outweigh the additional costs of issuance and compliance.

When Dodd-Frank was under consideration by Congress, my staff, and others, endeavored to provide comments to appropriate persons about concerns with applying the asset-based securities provisions, particularly the proposed risk retention requirements to municipal bonds. In fact, a coalition of key groups including NAST, GFOA, NABL, SIFMA and nine other industry organizations sent a joint letter calling for total exemption of municipal securities from the asset backed securities provisions. We were advised by Senate staff that there were concerns that future transactions might be created and structured through municipal issuers specifically to avoid the asset-based securities provisions. In other words, there was no immediate concern being addressed, only a concern with possible future "end runs." There is no evidence Congress saw a need to change, or intended to change, the existing regulatory structure of municipal bonds as we know it today.

The risk retention requirements, in particular, if applied to municipal bonds, could destroy the existing tax-exempt financing sources of nonprofit healthcare institutions (including hospitals) and nonprofit colleges and universities currently financed through the Connecticut Health and Educational Facilities Authority here in Connecticut, as well as conceivably the most significant financing source for state Clean Water and Drinking Water financing programs. I do not think Congress understood these potential unintended consequences. Our concerns did lead to certain amendments of Dodd-Frank, directing the Commission to provide a total or partial exemption from the risk retention rules for municipal securities through these rulemakings. This was an important, although only partial, response to our concerns.

I am concerned that the current rulemaking proposals are going forward before the GAO study on the Tower Amendment is completed, implying a decision to subject some aspects of municipal securities to regulation before the broader implications for such a change have been fully considered. In light of the fact that there has been no evidence of a problem with asset-based securities issued by municipal issuers, I strongly urge the Commission to exempt municipal securities from its rulemaking, including these proposals, at least until after consideration of the Tower Amendment. Proceeding in reverse order is placing the cart before the horse. The Commission can revisit the municipal exemption at a later time if and when developments and further review warrant.

If the Commission does decide to include municipal securities within the ambit of the present rulemaking, it should revisit the benefits of the rulemaking and the costs of compliance separately for municipal securities.

I have been following closely the development of detailed comments by various national organizations, including those groups that participated in the joint letter. I encourage you to give careful consideration to their submissions. Thank you for this opportunity to comment. Please feel free to contact me if I can be of any further assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Denise L. Nappier". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Denise L. Nappier
State Treasurer