

Vanessa A. Countryman, Secretary  
U.S. Securities and Exchange Commission  
Via Online Comment Portal  
Re: Modernization of Beneficial Ownership Reporting File Number S7-06-22

My comments are in regard only to the section of the subject proposed amendment that would include cash-settled derivatives holders under beneficial ownership. Specifically, where proposed new Rule 13d-3(e) would provide that a holder of a cash-settled derivative security will be deemed the beneficial owner of the reference equity securities if the derivative is held with the purpose or effect of changing or influencing the control of the issuer of the reference securities.

Currently, the concept of beneficial owner encompasses those who, directly or indirectly, acquire voting rights or the right to dispose of the issuers securities. Those who hold derivatives entitling them to the economic exposure to a covered class should not be considered beneficial owners for the purpose of voting rights.

I understand the importance of the rule change for reporting purposes and agree with the several commenters that eloquently expressed that view. However, any action conferring voting rights on derivatives holders undermines the right of bona fide shareholders to have a say in corporate governance.

This part of the rule change would only worsen the already chaotic process of shareholder voting in matters of corporate governance. Despite pleas from the Senate, House of Representatives and Council of Institutional Investors, fixing the proxy plumbing remains on the SECs long-term agenda, as a nonsignificant priority. <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202204RIN=3235-AM16>

Assigning voting rights to derivative holders will only worsen the existing problems of over-voting and verification of proxy votes that have not been addressed, even though the SEC issued an Advanced Notice of Proposed Rulemaking in 2010 to do just that. <https://www.sec.gov/rules/concept/2010/34-62495.pdf>

If derivative holders want to vote on matters of corporate governance, they should be required to exercise that right through and only through direct beneficial ownership of the underlying security.

Thank you for your consideration.  
Dr. Paul Pritchard

p.s. The verbiage within this submission was originally written by Susanne Trimboth, PhD. That is because my stance match hers regarding File Number S7-06-22.