

October, 30, 2022

Vanessa A. Countryman
Secretary U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 205499-1090
rule-comments@sec.gov

RE: Release No. 34-93613; File Number S7-18-21 Proposed Rule: Reporting of Securities Loans

Ms. Countryman,

After the 2008 great financial crisis, the Dodd-Frank Act was created to prevent another financial event and in order to do so, greater transparency is essential. The SEC have stated that lending data is “incomplete” and in some cases “unavailable” since a rule to require such data is absent. The SEC have also admitted that it is very difficult to trace or prove illegal naked short selling due to lack of transparency and improper record keeping, page 29^[1].

I support the transaction-by-transaction reporting and the 15 minute reporting requirement. Transaction reporting greatly increases transparency by eliminating aggregate reporting, which is not transparent, transaction-by-transaction reporting can hinder unscrupulous actions that may occur in using aggregate reporting. Despite the cost and effort in 15 minute reporting this is justified to prevent fraud and sidestepping through loopholes that may take place in delayed reporting even in end of day reporting.

Securities lending can lead to a chain of lending that can make unwinding the string of obligations an impossibility. With onward lending, when the time comes to return the share back to the original owner this scenario can be chaotic, endangering our financial system.

This proposed rule does provide transparency for retail investors if their shares are lent out without their knowledge, but, the investor should be notified on how lending their shares can impact the price of their investment as well as the impact of their voting rights and the loss of tax benefits from a dividend. In addition, securities lending leads to the creation of IOUs in investors’ portfolios, the multiplication of a company’s shares which hinder their stock price and may jeopardize the company itself, in turn, many jobs. Securities lending ultimately end up as failure to delivers (FTDs), a key component in financial institutions short selling tactics. Senator Robert Bennett discussed short selling and FTDs in 2007 in the congressional record Vol. 153, No 117 in 2007^[2], fifteen years later, this issue still persists. It is well known that the theoretical risk of short selling is infinite^[2]. If this is the risk, we need rules to curb or eliminate this danger since it can cause catastrophic contagion that may threaten our financial system^[3].

This rule makes a positive step toward a more fair and transparent market that aligns with the SEC’s strategic plan released in August 2022 to “protecting working families against fraud, manipulation, and misconduct.” Financial institutions may argue for a delay in implementing transparency rules, but it has already been at least 15 years from Senator Bennett’s record and it is time to stop the can kicking and implement protections. Transparent and frequent reporting is noteworthy, but to ensure protection of individual investors, pension funds, companies, thousands of jobs, frankly, the financial system, short selling should be banned. The stock market was created for investors to place their financial support behind a company they believe in, to allow the company to expand and make a positive impact on jobs and the economy. Short selling runs counter to this by allowing financial institutions a trading

instrument to bring down a company's stock price for the sole goal of money making while companies, jobs and the families it affects are sacrificed.

Thank you for your time in considering our comments,

Sincerely

Dr. Juan Camarena

[1] Staff Report on Equity and Options Market Structure Conditions in Early 2021,
<https://www.sec.gov/files/staff-report-equity-options-market-struction-conditions-early-2021.pdf>

[2] <https://www.congress.gov/congressional-record/volume-153/issue-117/senate-section/article/S9646-4>

[3] <https://www.investopedia.com/terms/s/shortselling.asp>