

File Number S7-21-21

Introduction;

My name is Troy Parson, I'm an American Citizen, Retail Investor, and Advocate for market reform. I have an undergraduate degree in Food and Resource Economics from the University of Florida. I have a career in commercial construction management overseeing multi-million dollar projects. Although my formal education is limited to an undergraduate degree. The principles of economic theory I can now bestow make it very easy to identify many of the market failures that exist within the current regulatory framework. These market failures erode confidence in our economy and government at large. I feel responsible to share my perspective on this matter. Myself and all American consumers are adversely affected by lack of rules and enforcement mechanisms surrounding this important issue.

As described more fully in the Proposing Release, the Commission proposed changes to the requirements for disclosure of purchases of equity securities made by or on behalf of an issuer or any affiliated purchaser. ¹ The proposed amendments were intended to improve the quality, relevance, and timeliness of information related to issuer share repurchases. The proposed amendments would modernize and improve the disclosure required about repurchases of an issuer's equity securities by:

Allow me to first acknowledge and praise the SEC for their efforts to enact meaningful reform. The current status quo with regard to the rules surrounding derivatives products within the financial markets is ripe with conflicts of interests, moral hazards, and a danger to the average consumer and the average American's way of life. In my previous comment letter and remarks I have been hypercritical of the SEC and its failures to police bad actors and financial sabbatours. My comments are not out of spite but of necessity, this is a warning cry about the injustices and market failures that are a detriment to Consumers, Enterprise, Investors and The American Economy.

- Requiring daily repurchase disclosure on a new Form SR, which would be furnished to the Commission one business day after execution of an issuer's share repurchase order; ¹ In the Proposing Release, the term "issuer" included affiliated purchasers and any person acting on behalf of the issuer or an affiliated purchaser. The term "affiliated purchaser" as used in Item 703 is defined in 17 CFR 10b18(a)(3). ⁴

I think this is a great first step in stemming the abuse of short sellers and their lending partners. I would like to suggest that this new SR Form include a disclosure of the participants agreed upon terms. Among these metrics, Borrow Price, Share quantity, Cost to Borrow (expressed as an APR%), and any specified duration that the share will be on loan for. This form should also include all Naked Short positions, where the shares being sold short do not originate from an "issuer". Furthermore I think it's critical that this new SR form be reviewed and submitted by a compliance office of the "short seller" **before** any of the "borrowed" shares are allowed to be sold short. The liability of managing this reporting should fall on the DTCC directly

and its members. It is of paramount importance steep fines are in place for failure to submit or report this information. **The fines must exceed the potential profit from the transaction.** Furthermore there should be no delineation for repurchase disclosure, all parties that engage in share lending must comply including “family funds”, Mutual Funds, and ETF’s.

- Amending Item 7032 of Regulation S-K,³ with corresponding changes to Item 16E of Form 20-F4 for foreign private issuers and Item 9 of Form N-CSR for certain registered closed end investment management companies, 5 to require additional detail regarding the structure of an issuer’s repurchase program and its share repurchases; and

There should be no special amendments for foreign private issuers, any lapse in oversight or rules will only result in “bad actors” pursuing these loopholes. There needs to be one flat rule across the board that would levy fines and repercussions that exceed the potential profit of each individual transaction.

- Requiring information disclosed pursuant to Item 703, Item 16E of Form 20-F, Item 9 of Form N-CSR, and new Form SR to be reported using a structured data language (specifically, Inline eXtensible Business Reporting Language).

Any reporting methods or “languages” used must be written in the simplest means. No convoluted or esoteric nomenclature can be used in an attempt to hide or mask the intent of all parties involved.

After the proposed amendments were published for public comment, The Inflation Reduction Act of 2022 (“Act”) was signed into law on August 16, 2022.⁶ Section 10201 of the Act adds new section 4501 of the Internal Revenue Code of 1986 (“Internal Revenue Code”),⁷ which imposes upon “covered corporations” a non-deductible excise tax equal to one percent of the fair market value of any stock of the corporation which is repurchased by such corporation during the taxable year. Under the Act, a “covered corporation” is any domestic corporation⁸ the stock of which is traded on an “established securities market” (within the meaning of section 7704(b)(1) of the Internal Revenue Code⁹). The excise tax applies to share repurchases after December 31, 2022.¹⁰ The staff of the Division of Economic and Risk Analysis has prepared a memorandum that discusses potential economic effects of the new excise tax on the incidence and level of share repurchases,¹¹ which are a part of the market baseline for the proposed amendments. We believe that the information presented in the Staff Memorandum has the potential to be informative for evaluating the proposed amendments in light of this recently enacted legislation. We are, therefore, reopening the comment period for an additional 30 days to permit interested parties to comment on the Staff Memorandum, which has been included in the comment file. In addition to the requests for comment included in the Proposing Release, the Commission specifically seeks comments on the following:

Levying a 1% tax on the fair market value of a particular stock at the time of repurchase will do very little to stem the abusive short selling that currently plagues financial markets. The

current tax incentives for short sellers puts investors and corporations at an extreme disadvantage to short sellers. Any enterprise that engages in short selling should pay full capital gains taxes on all earnings. Short sellers currently have an enormous tax incentive to drive enterprises into bankruptcy. The destruction of enterprise comes at the cost to the economy in the form of lost jobs, reduced choices for consumers, and results in consolidation by conglomerates seeking to obtain more market share. This incentive structure is counterproductive and at odds with the principles of a competitive market. It's the antithesis of free market capitalism. Our current system can best be described as crony capitalism. Citadel's Ken Griffin donated \$150M in the 2022 election.

This 1% tax/fee should begin being levied and accrue daily at the point where Failures to Deliver occur. Every day a short seller fails to cover their repurchase requirements they should be fined a 1% surcharge of the fair market value of their short position. These fines should accrue and be deposited into an account available to the enterprises and investors being negatively affected. The lapse of financial accountability is unique to only the upper echelons of the financial services industry. The "Time Value of Money" dictates these negative externalities are at an enormous detriment to enterprise and investors. The concept of liquidated damages applies to every other sector, enterprise, and business. Except for market makers and short sellers. If a construction project I'm in charge of running surpasses the agreed upon completion date by even one day there are enormous financial repercussions. By comparison, coordinating dozens of subcontractors, hundreds of material suppliers, and various municipalities and jurisdictions to achieve a timely completion of a project far exceeds the difficulty in clicking a "buy button" to complete a repurchase agreement.

By allowing the perpetual short interests to continue without ramification, you are disenfranchising investors and enterprises that provide goods and services to the economy at large. Perfectly competitive markets benefit consumers and the economy at large.

Requests for Comment

1. Would the Act's new excise tax affect the proposed amendments' potential economic effects? If so, what would the specific impact (or impacts) of the new excise tax be? How would the new excise tax interact with the effects of the direct and indirect costs of the proposed amendments on issuers and investors?

The 1% tax could generate significant revenue as many of the short sellers continually roll down their short positions. I don't have access to data that would allow me to make an accurate prediction of macro effects.

I would like to see the tax applied differently, the taxable value should be assessed at the market value of when the shares were borrowed. By taxing the value of the enterprise at the time of repurchase you could incentivise the shorts to never close and push companies into bankruptcy and forgo closing their positions.

2. The Staff Memorandum estimates that, based on year 2020 (2021) data, of the approximately 3,300 (3,600) issuers engaged in repurchases and subject to the proposed amendments, approximately 2,000 (2,300) issuers would be affected by the excise tax. Do you agree with these estimates? If you do not agree with these estimates, please explain why. Please also provide alternative estimates and explain why you believe those alternatives would be more accurate.

Your estimates are more accurate than any estimates I may have, your access to data is superior to mine. So this is saying that approximately 1,300 issuers have either swap agreements or lost all value of their assets? Or are these Shorts that lost money on their trades?

3. Do you agree with the qualitative analysis in the Staff Memorandum of the likely directional effects of the new excise tax on share repurchases?¹⁴ Is there other, additional research the staff should consider? If so, please discuss this research and why you believe it is relevant to the analysis.

I don't think the tax is being applied correctly; the valuation needs to be set at the time shares are borrowed, not at repurchase. The burden on an enterprise, its employees, investors, debtors, consumers and the economy is fraudulent and anticapitalist.

4. What is the likelihood, if any, given the Act's new excise tax that issuers will replace share repurchases with dividends, including special dividends?¹⁵ Is it administratively more costly to distribute a dividend, or special dividend, as a means to return cash to shareholders as compared to repurchases? If so, please discuss how the costs differ.

Possible, Any incentives for shorts to prolong repurchase should be removed. See my previous comments above.

5. The Staff Memorandum states that issuers subject to the proposed amendments, but that are exempted from the new excise tax, would not be directly affected by the new excise tax (but they may incur indirect effects).¹⁶ Are there any additional impacts that the staff should consider? Would these issuers incur any indirect effects? For example, the Staff Memorandum includes as possible indirect effects competitive spillovers of a decrease in repurchases among issuers subject to the excise tax, or changes in investor sentiment regarding repurchases in response to the decline in share repurchases among a considerable number of issuers. Would competitive spillovers or changes in investor sentiment affect share repurchase activity by issuers subject to the proposed amendments, but that are exempted from the new tax? If so, what would these impacts be? What other indirect effects would occur?

As I've stated above I don't think the taxable value is being set correctly. The time value of money for lost market cap or stock price is fraudulent when allowed to occur for extended durations of time. The cost to the consumer and the economy at large when companies are deprived of their fair market value. The tax should be used to prevent reg SHO violations associated with failures to deliver.

6. The Staff Memorandum states that the excise tax is not expected to change the direction of the expected economic effects of the proposed amendments with respect to any particular share repurchase that takes place, but that it may affect the total number of share repurchases that occur, and thus may affect the aggregate impact of the proposed amendments.¹⁷ Do you agree? Please provide the reasoning for your response.

I would agree that the excise tax as it has been proposed is not likely to change the direction of "expected economic effects" The tax falls short of adequate.

7. The Staff Memorandum states that the categories of costs and benefits described in the Proposing Release would likely remain the same, but the magnitude may change as a result of the excise tax.¹⁸ Do you agree with this assessment? If not, what other costs or benefits should be considered in assessing the potential economic effects of the proposed amendments?

I don't have an opinion about this.

8. Do you agree with the conclusion in the Staff Memorandum that the general efficiency, competition, and capital formation considerations discussed in the Proposing Release are expected to continue to apply except for the potential competitive effects discussed in the Staff Memorandum?¹⁹ We request and encourage any interested person to submit comments regarding the proposed amendments, specific issues discussed in this release, the Staff Memorandum, or the Proposing Release, and other matters that may have an effect on the proposed amendments. Commenters are urged to be as specific as possible; when commenting, it would be most helpful if you include the reasoning behind your position or recommendation. All comments received to date on the proposed amendments will be considered and need not be resubmitted. By the Commission. Dated: December 7, 2022.

I don't think this tax goes far enough to cover the costs to society and the economy at large. Short sellers are the least regulated and taxed participants in financial markets. They are long overdue for oversight.