Re: Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change To Establish the Securities Financing Transaction Clearing Service and Make Other Changes

([Release No. 34–94694; File No. SR–NSCC– 2022–003])

The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. The SEC strives to promote a market environment that is worthy of the public's trust.

Dear Ms. Countryman,

I am writing as a passionate retail investor who has grave concerns with and wishes to express absolute opposition to SR-NSCC-2022-003. This proposal, by all measures, is a thinly veiled effort to protect bad actors who have continued to naked short sell select stock tickers "in the name of maintaining market liquidity."
87 FR 23373 states:

Liquidity risk may also arise if, in the context of a stressed market scenario, borrowers or lenders concerned about their counterparties' creditworthiness seek to unwind their securities lending transactions and obtain the return of their cash collateral or securities. This occurred to a certain extent in 2008, when borrowers began demanding to return borrowed securities in exchange for the cash collateral the borrowers had posted to institutional firm lenders.15 These ''runs'' may require institutional firm lenders to quickly sell off securities that are the subject of their cash reinvestments to raise cash to return to the borrowers, thereby also creating potential fire sale conditions with respect to the reinvestment securities, as described above. Similarly, borrowers may need to purchase or re-borrow securities in stressed market conditions, leading to potentially significant losses.

Naked short selling stock is risky and never desirable in a perfect market – but it can be handled if good faith efforts are made to remediate the issue of lacking shares. Failure to deliver those shares, though? Now that's a problem. Corporate governance debacles and income tax implications aside, the fundamental act of selling a share that cannot be located is problematic. Plain and simple. This act, as benign as it may seem, has substantial consequences to retail investors; conversely, it would seem there are substantial incentives for bad actors to engage in it. The aforementioned proposal seeks protections for those bad actors who have made it a business strategy to engage in this problematic behavior to such scale that they quite literally compromise their own solvency if prices of the underlying rise to the point that margin calls begin. ***Why this*** is not being dealt with expediently is cause for concern in and of itself – it was, after all, not 15 years ago that the American economy was on the brink of total collapse due to the rampant greed and mindboggling portfolio risk of a select few.

Ya know, my grandma passed away at 93 almost three years ago. I loved her so much, and I am so grateful to her for a particular gift she gave me one year for Christmas: 20 shares of MCD set up on a DRIP. I watched the share price climb over the years. I even used what little income I made at the time to purchase more shares! Over time I developed a real love for the stock market, ultimately selling to practice what I had learned along the way. That position net 14% CAGR – needless to say, I was hooked. It was because of this gift and the resulting engagement I had with it that I have become a young man who looks for wisdom from the likes of Charles Munger and Warren Buffet, Carl Icahn, Benjamin Graham, Peter Lynch… Indeed, what was once just a tangible gift of MCD shares has since transformed into a passion and source of intrigue, and that's something I will always be grateful to my grandma for. And I just have to say… it is proposals such as this one - and a well-founded doubt that lack of grassroots opposition would result in its promulgation - that make me so incredibly disappointed with the reality of the American stock market. How is an average American like me supposed to have faith and trust in a market when the very people who author, propose, lobby for and ultimately abuse built-in complexities are given a "pass" when it comes time to be held accountable for their poor financial decisions? How is anyone supposed to trust that? Why is it that the powers that be seem so intent on having the SEC abandon its mandate to the little guy? It's painful to imagine having to tell my grandma about this proposal.

Please, do not abandon your core principles. Stand by your mandate.

Thank you for your time.
Peter

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