- SFTs can and will be used to avoid FTDs, aka to rollover the FTD. The FTD should be satisfied pursuant to Reg SHO. The SFT Clearing Service should not be approved.
- Make SFT Settlement buy-ins mandatory and not optional when a borrower is unable / fails to deliver the lent securities.
- The ability for counterparties to enter into SFTs and continue to roll the SFTs is just another way to roll an FTD. But, in this case, the rolling of the SFT is obfuscating the FTD and increasing the potential of circumventing the Reg SHO close-out requirements. **This should not be allowed.**
- Rule 56, Section 5(e) – What is the list of corporate actions and distributions that NSCC does not support with respect to SFTs? These should be enumerated before any approval.
- Rule 56, Section 9(b) – "…if NSCC receives a Recall Notice in respect of an SFT that has been novated to NSCC and the Transferee does not satisfy its Final Settlement obligations by the Recall Date for the Recall Notice, the Transferor may, in a commercially reasonable manner, purchase some or all of the SFT Securities that are the subject of the SFT or elect to be deemed to have purchased the SFT Securities, in each case in accordance with such timeframes and deadlines as established by NSCC for such purpose (a ''Buy-In''); provided that in the case of a Default-Related SFT (as defined below and in the proposed rule change), the commercial reasonableness of a Buy-In shall be determined by NSCC based on whether, in the opinion of NSCC, such Buy-In would create a disorderly market in the relevant SFT Security."
    - A Transferor should not be allowed 'to be deemed to have purchased the SFT Securities'. Without oversight on the SFT Parties, they have the capability of intentionally not delivering the SFT Security and subsequently the Transferor now deems themselves to have purchased ("Buy-in") these securities. If the Transferor does not actually buy-in, this would create synthetic / phantom shares.
    - The NSCC should have no 'opinion' on whether or not a buy-in would create a disorderly market. Saying the NSCC has the right to determine if a buy-in is reasonable affects the transparency of markets and allows the NSCC to sway the market in a way they deem 'not disorderly', whatever that may be. The market is not NSCC's to do what it wants with.
- With regards to Rule 56, Section 9(b) - "Section 9(b) would provide that each SFT Member further acknowledges and agrees that NSCC would not calculate any Buy-In Costs or Deemed Buy-In Costs and shall have no liability for any such calculation."
    - This further exacerbates the issue above. The Transferor could deem a buy-in at any cost (which they don't actually buy), way below market price for a security, and the Transferee would fulfill the SFT by paying the transferor the SFT cash which is no longer at 100% market value. Now we have the Transferor with a small amount of cash, the Transferee with the securities, and synthetic/phantom shares with the Transferor. All the while, the NSCC declares no liability for such acts. **This is ridiculously stupid and dangerous.**