March 27, 2023

By Email

RE: Release No. 33-11151; File No. S7-01-23 Prohibition Against Conflicts of Interest in Certain Securitizations

This rule proposal is fundamentally flawed due to this ability to provide exemptions to the standing prohibition. This would allow for market makers to conceal transactions when conducted with accredited investors. This furthers a lack of transparency in the markets and only serves to weaken the aims of this proposal.

There should not be exemptions to registrations of securities offerings. This only serves to grant special privileges to some of the largest institutional investors that have been found to neglect their fiduciary obligations and conceal market information to best serve their own investing goals (Please see this Reuters article on how the market maker Citadel Securities was fined by the SEC for using algorithms to execute stock trades on customers' behalf that gave investors a worse price for their trades: https://www.reuters.com/article/us-citadel-settlement-routing-idUSKBN15204X). These exemptions are stated to avoid disrupting current liquidity commitment, market-making, and balance sheet management activities meanwhile these entities the SEC wishes to have exempt have themselves been previously charged with providing inaccurate blue sheet data (Please see this SEC press release on Citadel Securities and others providing deficient blue sheet data: https://www.sec.gov/news/press-release/2018-275). This proposal will simply allow market makers to now legally conceal this information that they have already been shown to be attempting to conceal against regulations. Therefore this proposal would not be enforcing harsher restrictions but instead deregulating violations already being made by the largest firms. This does not solve the problem the proposal states it wishes to address, but rather turns a blind-eye to it.

There should be no exemptions on conflicts of interest as this only encourages exploitation and obfuscation in the market.