

SUMMARY: Under the current market regulations the interests of household investors and pension funds are placed directly in conflict with market makers, their brokers, and even the exchange and clearing house. All of Wall Street's largest firms, and the firms most necessary for its operation. Under no circumstances should market makers (or anyone else) be granted an exception to prohibition of transactions representing a material conflict of interest, or for the sake of "liquidity," or even "derisking" as that incentivizes taking inappropriate risks with the insurance of one's favored place in the market. Risk management shouldn't require such exceptions at all.

Dear Vanessa Countryman,

Thank you for the opportunity to submit my comments on the SEC rule proposal S7-01-23 Prohibition Against Conflicts of Interest in Certain Securitizations on the 25th of March, 2023. Please note my grave objection to the exceptions provided for "bonafide" market making, and commitments of liquidity per section 27B(c) for the supplemental rule, and displeasure at the SEC proposing (and allowing to remain in force) rules of this kind. Significant, material, conflict of interest pervades our market system, and often regulations meant to address it are met with cries of overreach and attempts to minimize the issue at hand. Serious conflicts of interest are already well addressed under our current regulatory regime, they tell us. That any real material conflict of interest would eventually reveal itself and to allow such conflict would be dangerous and unprofitable. While it is true that fraud has always been ultimately dangerous and unprofitable over the long term, it only takes one look at our global financial system (and the US system in particular) to dispel any ideas of conflict being well addressed.

Quite the opposite, in fact, conflicted interest is the status quo, and it is only over the totality of the long term that the fraud driven by it becomes evident and inevitably collapses (often causing collateral damage that can be devastating economically to otherwise uninvolved participants and stakeholders). I would argue every American citizen has a stake in the success of, and removing corrupt conflicted interests from, the American financial system and economy. It is of great regret to me that I was unable to provide timely comment on the recent conflicts in governance rule proposals, because such regulation is direly needed. Frankly, the American people have very little to lose from such regulation being enacted and enforced in the most stringent of terms. To allow a de facto monopoly, owned by many whose financial interests are in direct conflict with the fiduciary duty of the firm, to have unmonitored, unsupervised control of all aspects of the back end of every trade is unconscionable. Hiding blatant fraud in less granular data is easy through creative accounting and position management alone, when no account is ever made to an outside auditory. If firms desire to be systemically important, their risk management procedures must be monitored, and the public who depends on that system for survival must be able to get a real idea of their own risk related to that system.

What a shame it is that the SEC continues to claim it's mission is to protect investors, and that it rises to the mandate of the law that created it, when it continues to propose rules that make it abundantly clear they have no interest at all in such goals. I believe in this mission and mandate. I believe the SEC can accomplish them. How sad it is then, that we continually shrink from the prospect of doing so? So called "market maker" exceptions are nothing but obvious loopholes to allow the continued exploitation and manipulation of individual household investors. The idea of "chinese walls" protecting them from conflict on

interest in large firms is laughable itself, but it rises to the level of blatant mockery when we expect a single individual, with substantial controlling interest in firms that run the market, trading for their own financial interests to somehow impartially administer these firms in the interests of household investors. To call such an idea laughable implies humor somewhere only the darkest part of the sorrows weighing on the human soul dwells. To expect American households to continue arguing against these provisions in vast numbers, only to be ignored, is a cruelty whose intentions lie in far more sinister places than simple commercial greed.

There simply aren't terms available to describe the corruption you allow to befall the American people with your continued service to people who pay themselves in a year what it would take the average American worker many millenia of constant labor to attain. You don't have to be a communist to witness the manifold suffering unleashed by this sort of policy, you only have to open your eyes. In spite of the fact that you will no doubt dismiss these comments as merely emotional exaggeration, I simply have to make them, because I would be ashamed to allow such blatant fraud, cloaked in parliamentary language and arcane doublespeak, to pass without protest. I know you will dismiss and ignore it just like all my other complaints, warnings, and comments. But it doesn't matter, and it's not just for myself I make these warnings. I truly have the best interests of all involved at heart, Ken Griffin isn't going to die if he's unable to defraud American's out of a little extra money so he can't buy the second most expensive house in America to go along with the first. Give me a break.

You're killing people so Steve Cohen can finance his baseball team. Totally unconscionable. None of us is really singularly personally to blame, not even Steve, he's just operating in the environment you're giving him. Those who shape this environment do bear some of the responsibility though. It's very clear what these sort of rules are doing, and pretending it's not, much less that it's beneficial to anyone but to who the exception applies, does no one any service. It's simply not sustainable. Look at the overleveraged derivatives hanging like an albatross over the neck of the global banking industry. This is merely the most obvious symptom in the current market conditions, but there's literally quadrillions of nominal value in derivatives out there and trillions of unrealized losses across asset classes. The truth is "liquidity commitments" are destabilizing, "market making" is just manipulating the market until serious material conflicts of interest are fully addressed, and even derisking has become fraught with totally discounted idiosyncratic and systemic risk. Risk that primarily seems to be managed through fleecing the American people (placing the risk at their feet). Nobody wants the global economy to explode, that would obviously be bad for everyone, but it kind of seems like it blew up a long time ago and instead of reacting accordingly the ones who blew it up are stealing as much as they possibly can from as many people as they can until it burns to the ground.

Not exactly a regulatory and enforcement regime to be proud of, but there's still time. Remove the market maker exception per section 27B(c) of the supplemental proposed rule, and repeal ALL similar rules allowing serious material conflict of interest to remain sustained in introducing extraordinary and idiosyncratic systemic risk. These exceptions benefit primarily no one but those they are provided to, and must not continue. You've asked for public comment, now it's up to you to listen to what the public comment is telling you.

If the unfair nature of the market maker exceptions, and the system it supports, is still mysterious to you, please find attached a PDF copy of my complaint filed 2022-06-03 04:26:35 against Apex Clearing for their involvement in the January 21 buy freeze, and pay

close attention to where market maker (and clearing firms, and their associated hedge funds) conflicts of interest are discussed, and know this is referencing all the largest high speed firms. Citadel, Virtu, Point72 etc. the largest of executors. As well as exchanges (CBOE EDGX etc) with a maker taker pricing model, as opposed to a customer first model, and connections to dark pools of liquidity. As well as every clearing corporation, and central clearing corporation. (OCC, DTC, NSCC, DTCC, Apex, Instinet) Here are some comments from members of those participants for the SEC to consider, and consider well.

"The game is not fair and it never has been. Individual investors, even when operating in a swam, are destined to lose. How do I know? I helped design the game." -Patrick McConlogue, former Citadel engineer

"-The practice of payment for order flow creates serious conflicts of interest and should be banned. -Internalization without meaningful price improvement reduces competition, limits price discovery, leads to market fragmentation, and should be banned." - Citadel 2004

Continuing to allow blatant criminality on the honor system and providing clear obvious loopholes rendering ineffective any regulation meant to address these conflicts and the fraud they produce must stop immediately, there is no basis for this course within the instruments expressing the will of the American people. You don't need American citizens to tell you what the participants themselves have already told you many times over, before their positions changed to benefit themselves, let's not pretend otherwise. You can dismiss my comments as unsubstantiated, or you could request proof of the assertions you doubt, and attempt to verify these facts for yourself independently, which would be well within the purview of a supposed "cop on the beat".

I hereby solemnly swear that all material contained in this comment is true to the best of my knowledge. Should you need anything at all, including expanding, clarification, or supporting documentation please do not hesitate to reach out at the contact information provided.

- Larry Douglas
Individual American Investor