

To: Securities and Exchange Commission
Washington, DC

From: Franklin Antonio
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Subject: File No. S7-14-19
Publication or Submission of Quotations Without Specified Information

I am opposed to the proposed rules.

I applaud the SEC's interest in reducing fraud, but believe the proposed rules miss the mark and produce unintended consequences.

1. As a principle, the SEC should stand firmly for TRANSPARENCY, which means the unimpeded availability of information, and yet this rule does the opposite.

The proposed rule RESTRICTS the distribution of quotations. Thus these rules reduce transparency, harming especially the small investor.

After reading the proposed rules, I believe the SEC may be acting under the presumption that this restriction will incentivize companies to publish financial information, which would benefit the public. This is not correct. There are closely held companies who operate with intentionally secretive policies, providing as little information about themselves as possible.

Such secretive companies are not only tiny shell companies or other questionable enterprises, but often are significant size companies.

I offer as an example: J G Boswell (BWEL), the large agricultural concern. One of the largest landholders in California, and one of the largest farms worldwide. On the order of \$1 Billion annual sales, and 5,000 employees. This is not a small company. And yet, this company does not publish its financial data.

Shareholders of such companies already suffer from the lack of public financial information. Under your rule, they would also suffer from a lack of quotations, which would make trading nearly impossible. Invested money would be stranded.

I do not believe this is the SEC's intent, thus the rule has significant unintended consequences.

The SEC is apparently presuming that all companies want to be traded, and thus will respond to quotation restrictions by publishing financial data. This is simply not correct.

The proposed rule thus takes a circuitous route to its intended result. I suggest a more direct approach, described in section 3.

2. The SEC's proposal uses incorrect logic when analyzing the proposed rule.

In the Economic Effects section...

At C.1.a the SEC writes

“Presently, not all issuers of quoted OTC securities publicly disclose current financial information. This information could allow investors to better assess the quality of the issuer and help them to avoid lower-return investments, such as those involved in a fraudulent scheme. By enabling investors to compare information contained in promotion campaigns to that in current company disclosures, the proposed requirement for proposed paragraph (b) information to be publicly available may help investors avoid trading on false information”

The problem here is that the SEC is trying here to take credit for making financial information available, when the proposed rule does nothing of the kind. The proposed rule simply restricts quotations.

The SEC's presumption seems to be that companies will be incentivized by the quotation restriction to publish financial information. This is simply not correct. Companies who wish to remain secretive, to the disadvantage of minority shareholders, will simply rejoice at the lack of quotations.

The entire Economic Effects section is rendered invalid from this fundamental and fatal flaw.

Here the SEC is taking credit for what it *should* be doing, while actually proposing to do something entirely different. For shame.

3. I concur with the SEC that markets and individuals would benefit if more companies disclosed current financial information. One way approach this would be to revise the rule which determines which companies must file financial reports with the SEC.

The present rules allows companies with fewer than 500 shareholders (sometimes 2000) to avoid filing. Unfortunately, the SEC uses an antiquated concept of “shareholder”, making this rule impotent. For several decades now, most investors leave shares in the custody of their broker “in street name”, and this causes thousands of shareholders to be counted by the SEC as only 1 shareholder. The SEC's long inattention to this fundamental miscounting is a scandalous lapse.

An update of this old rule to the modern reality of how shares are held would have great benefits to investors. In addition to all the benefits the SEC has described in Section C of the proposed rule, such a change would make it more difficult for substantial companies to “hide” from minority investors.

The SEC may consider additional rules requiring financial disclosure of a larger set of companies. Such actions would work directly to accomplish the goal of transparency, with all the benefits that the SEC has described.

In summary, the SEC's proposed rule takes a circuitous route to its intended result, using misplaced incentives, with a complex construction, which will disadvantage many minority shareholders who the SEC should work to protect. A direct approach would be better.

Thank you.