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January 7, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Reporting of Securities Loans (Release No. 34-93613; File No. S7-18-21)

Dear Ms. Countryman:

The Financial Industry Regulatory Authority, Inc. (“FINRA”) appreciates this opportunity to comment on the Securities and Exchange Commission’s (“SEC’s” or “Commission’s”) proposal to require the reporting and public dissemination of securities lending information.¹ The Proposal would require any person that loans a security on behalf of itself or another person to report to a registered national securities association (“RNSA”) the material terms of those securities lending transactions and related information regarding the securities that are on loan and available to loan. The Proposal would also require that the RNSA make available to the public specified information concerning each transaction and aggregate information on securities on loan and available to loan.

FINRA strongly supports the Proposal. FINRA has consistently supported enhanced transparency across our securities markets, in furtherance of FINRA’s core mission of investor protection and market integrity. FINRA agrees with the Commission that the public dissemination of securities lending information under the Proposal will, among other benefits, improve price discovery in the securities lending market, reduce information asymmetries, close data gaps, and increase market efficiency.²

FINRA also agrees that the Proposal will provide the Commission, FINRA, and other regulators with data that could be used for important regulatory functions, including facilitating and improving FINRA’s in-depth monitoring of member activity and surveillance of the securities markets.³ For example, as the Commission notes, this additional data would “facilitate better surveillance by FINRA for regulatory compliance

¹ See Securities Exchange Act Release No. 93613 (November 18, 2021), 86 FR 69802 (December 8, 2021) (the “Proposal”).

² See *id.* at 69804.

³ See, e.g., *id.*

by its members” and “improve [FINRA’s] ability to enforce” relevant regulations, including providing FINRA the ability to “notify another regulator as appropriate.”⁴ FINRA also agrees that the data would be valuable to help regulators reconstruct market events in the future, for example by providing a “more timely and fulsome view of who was entering into new loans and who was no longer borrowing securities” during a market event.⁵ FINRA also expects that the information subject to reporting under the Proposal regarding the aggregate quantity of shares on loan and available to loan would provide useful information in monitoring the levels of short selling activity occurring in a security and determining when a security is hard to borrow.

As the only current RNSA,⁶ FINRA stands ready, willing, and able to facilitate this important initiative to improve transparency and enhance the regulatory audit trail in the securities lending market. As the Commission recognized, FINRA has extensive experience establishing and maintaining systems that are designed to capture and disseminate transaction information—similar to the system contemplated by the Commission under the Proposal.⁷ As such, FINRA agrees with the Commission that FINRA is well-positioned to accommodate the trade-by-trade reporting of securities lending transactions under the Proposal and to provide for the dissemination of both individual securities lending transaction information and aggregate information regarding securities on loan and available to loan.⁸

⁴ See *id.* at 69840. As the Commission further notes, FINRA would also use the data more generally to assist in its oversight for compliance with relevant FINRA rules, as well as to monitor when members are building up risk and provide an early warning with regard to the behavior of members during a short squeeze. See *id.* The additional data, including in particular the identification of whether a loan will be used to close out a fail to deliver, would significantly enhance FINRA’s Regulation SHO surveillance programs.

⁵ See *id.*

⁶ FINRA is the only national securities association currently registered with the Commission under Section 15A of the Securities Exchange Act of 1934. See 15 U.S.C. 78q-3. FINRA is organized as a not-for-profit corporation and has statutory responsibility for the regulation and supervision of FINRA member broker-dealers, including members’ over-the-counter activity in both listed and unlisted securities.

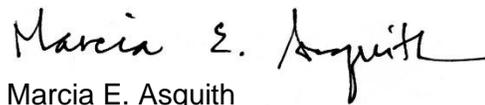
⁷ See Proposal, *supra* note 1, at 69808; see also *id.* at 69808 n.73 (“FINRA operates a number of transparency reporting systems including the Alternative Display Facility (displaying quotations, reporting trades, and comparing trades); OTC Transparency (over-the-counter (OTC) trading information on a delayed basis for each alternative trading system (ATS) and member firm with a trade reporting obligation under FINRA rules); OTC Reporting Facility (ORF) (reporting of trades in OTC Equity Securities executed other than on or through an exchange and for trades in restricted equity securities effected under Rule 144A under the Securities Act of 1933 and dissemination of last sale reports); Trade Reporting and Compliance Engine (TRACE) (facilitates the mandatory reporting of over-the-counter transactions in eligible fixed income securities); and Trade Reporting Facility (TRF) (reporting of transactions effected otherwise than on an exchange).”).

⁸ See *id.* at 69809.

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FINRA commends the Commission for undertaking this significant effort to bring much needed transparency and efficiency to the securities lending market, and looks forward to continued engagement with the SEC on this important matter. If you have any questions or would like to further discuss FINRA's views and comments, please contact Stephanie Dumont, Executive Vice President, Market Regulation and Transparency Services, FINRA, at [REDACTED] or Racquel Russell, Senior Vice President and Director of Capital Markets Policy, FINRA, at [REDACTED].

Very truly yours,



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