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WASHINGTON, DC 20004

[redacted]

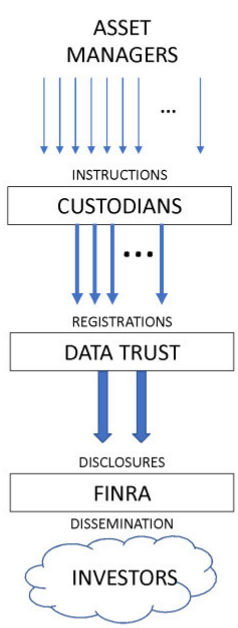
January 7, 2022

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

Re: File No. S7-18-21: Reporting of Securities Loans

Dear Ms. Countryman:

We write to endorse an alternative to the above-cited proposal that meets all the Commission's goals, while avoiding most of the drawbacks; a solution that will preserve at lower cost all the benefits of the lenders' current performance benchmarking services; and a simplification that will allow Asset Managers to report their loans to FINRA through a Registry using a copy of the custodian's records. Specifically, we recommend allowing participating lenders to report from their own data trust. The database, which might be a permissioned blockchain, could be serviced by custodians for the lenders, as explained below. The concept of data trusts is described in the CSFME's comment letter, filed separately today.



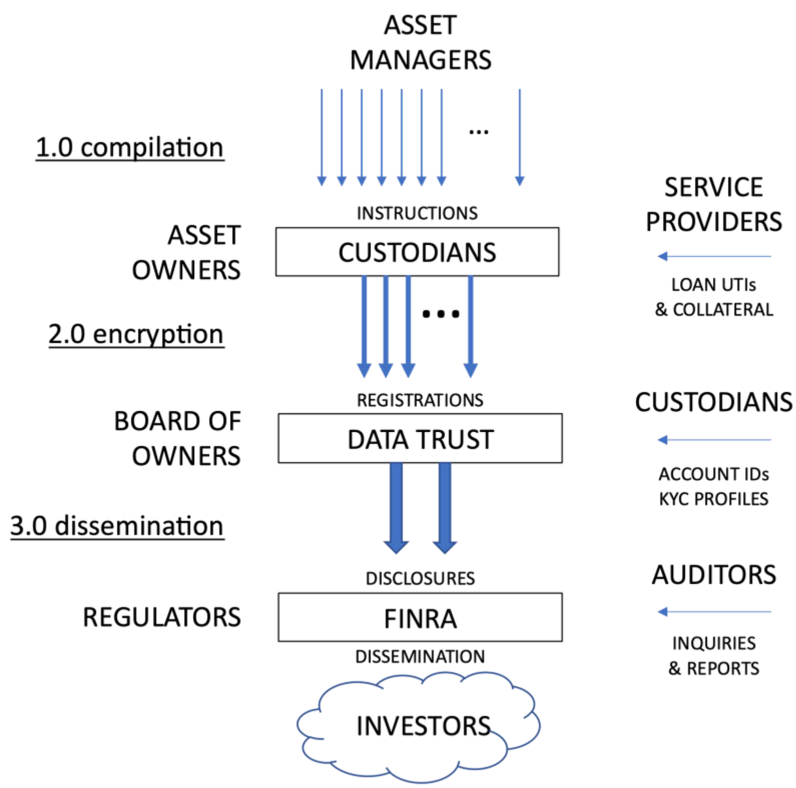
The value of improvements to the proposed disclosure system could be substantial. Operational efficiencies of easily $100 million could be saved from the projected $375 million in start-up costs because the custodians for the beneficial owner-lenders are already connected to their lending agents and asset managers through a host of utility networks. Instead of 409 data input pipelines to FINRA, as estimated in the proposal, only two would be needed for lenders of participating asset managers.

Some may argue that adding a layer would render infeasible the goal of 15-minute lagged reporting, especially under the stress of the market's opening and closing surges of activity. Trade-offs exist in every systems design, but the impact of delays would likely be mitigated by the superior accuracy of data reported from the custodians' systems than from the broker-dealers, if even available.

If lenders are to be responsible for the disclosure reports, then broker-dealers may not be acceptable reporting agents. Beneficial owners may not tolerate a brokerage firm with conflicting interests. Lending agents also may not be acceptable reporting agents. Not every beneficial owner lends through a lending agent. However, every lender has a custodian. And all loan transactions are reported to the custodian.

Availability reporting will also be more accurate from the portfolio custodian's master files. Every other database is a slave to some degree. Corrections and modifications to reported loans would be made more easily by shadowing the custodian's master files in the data trust and then assigning the UTI <u>before</u> transmission to the FINRA. That will allow the custodian to archive and cross-reference the UTIs to the trade references for both bilateral and cleared transactions. Such a utility could also store data on locates.

PROPOSED: A 10c-1 Disclosure Regime using a Data Trust



1.0 COMPILATION STAGE: VAULT AND CAGE

Asset Managers submit trade reports, **as today**, to the Beneficial Owners' Securities Custodians and Carrying Brokers.[1] Lending agents submit loan transaction tickets or deliver orders to Securities Custodians, **as today**. Custodians send to the data trust's registry a copy of the designated masters with their internal trade references linked to UTI's generated from their systems, **as today**.

[1] "One of the key areas in which carrying brokers must compete is in the breadth and timeliness of the information they can provide to their broker customers. The faster a carrying broker can provide accurate information regarding the transactions, margin status, and collateral level of their account holders, the more useful that carrying broker will be with respect to the client's risk management activities." Investopedia **https://www.investopedia.com/terms/c/carryingbroker.asp**

2.0 ENCRYPTION STAGE: DATA TRUST

SL advisors (or consultants) *scrub*, *map, encrypt* and *append,* **as needed**, the transaction master files to the Registry database(s) of the Beneficial Owners' data trust. Custodians (or vendors) benchmark loan activity, **as today**, using Beneficial Owners' account identification codes and transaction references. Selected restrictions from Asset Managers' and Custodians' contracts, policies and KYC materials are used to calibrate loan rates and position availability, **as needed**. The Owners' data remains under control of custodian administrators, **as today**.

Data trust administration would transmit loans and modifications, **as needed**, to the FINRA slave database. Intraday, the public feed could be improved with an algorithm to suggest corrections based on confidential, customer-centric analytics.[2] Risk managers would have access to more timely position and transaction data.

The custodian's records and restrictions define the lendable and available inventory for the lending agent. However, their beneficial owner clients may insist that their LEIs be encrypted and inventory aggregated to avoid tempting predatory traders.

Note: Data vendors and fintechs would bid to service the registry database, **as needed**, so Beneficial Owners gain the benefit of their analytics, **as today**. Contractors would reformat records and facilitate 10c-1 reporting to the regulatory transaction repository, **as today**.

3.0 DISSEMINATION STAGE: FINRA / RNSA

FINRA can use the slave database from the data trust to meet the Commission's reporting goals.

We believe that the period following today's deadline for comments should be used to investigate alternatives, such as proposed above. On that basis, we would be pleased to discuss any of these points at your convenience.

Very truly yours,

Edmon W. Blount
Executive Director

[2] Incomplete source files and delayed feeds were the bane of our existence for the Zurich and London feeds to ASTEC Analytics' original Lending Pit service. Should we hold the update until a mid-sized source file was back online or should we transmit to New York as is, and try to correct later for the missing data? And how, we asked, should we code the transmission protocols or even define their decision trees?