January 7, 2022

Via email (rule-comments@sec.gov)

Ms. Vanessa A. 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:

tZERO Group, Inc. (“tZERO Group”) and its broker-dealer subsidiaries (collectively, “tZERO”) appreciate this opportunity to comment on the U.S. Securities and Exchange Commission’s (the “SEC” or the “Commission”) proposed 17 CFR 240.10c-1 ("Proposed Rule"), under the Securities Exchange Act of 1934, as amended (the "Exchange Act").\(^1\) We greatly support the Commission’s objective of increasing transparency in securities lending markets and such objective aligns with our mission. tZERO Group is a financial technology company committed to democratizing access to capital markets through the development and adoption of blockchain technology. One of the principal benefits of this technology is increased transparency. Blockchain-based securities are issued on a transparent natively-digital database on a distributed single technology layer, with immutable ownership and transaction records visible in real-time, in a secure, privacy-conscious environment that also has tremendous potential for automating compliance functions and achieving self-regulating state through smart contract technology. The opaqueness that has caused inefficiencies in traditional securities markets, including in the securities lending market, can be eliminated or greatly reduced through the adoption of this technology.

The Proposed Rule will achieve greater transparency for those securities that utilize legacy financial market infrastructure. To that end, we are grateful to the Commission for this initiative. We suggest, however, that the Commission also examine the use of blockchain-based records to document compliance with the locate process both for traditional and digital asset securities, so that native technology-hardwired transparency is inherent in the infrastructure supporting securities lending. Digital securities and digital locates would allow clear insight into demand and available inventory of securities. Accurate, real-time inventory information that is open and visible

to all market participants ensures regulatory compliance by preventing “over locating” and “naked short selling.” Further, by digitizing the locate process borrowers can repeatedly enter and exit short positions without needing multiple locates – and all this activity would be publicly visible to regulators and other relevant market participants.

tZERO shares the Commission’s interest in advancing transparency and investor protection in capital markets. We ask that the Commission consider further rulemaking and studies which would look to broaden the acceptable technology rails through which securities can be lent, borrowed, and located. We welcome the opportunity to engage with the Commission, self-regulatory organizations and other market participants to advance the adoption of, and regulatory framework for, digital assets and digital infrastructure.

Respectfully Submitted,

Alan Konevsky
Interim Chief Executive Officer and Chief Legal Officer

cc: Alex Vlastakis
    Rob Christensen
    Vanessa Savino
    (tZERO Group, Inc.)