This proposed rule is a great step in the right direction for more transparent and efficient markets. The data obtained will help regulators identify systemic risk more effectively. The opaqueness around securities lending does not allow investors (or regulators) to see the whole picture. I believe all security lending transactions should be made available to the public to create a fairer market. This data would help with oversight of compliance with Reg SHO regarding the locate requirements as well as other Reg SHO violations. The alternative listed on pg. 152 requiring only broker-dealers to report lending transactions would cause the data gathered to be incomplete and would hinder the purpose of the rule.

Here are my thoughts on a few specifics mentioned:

“There are also efforts to develop and expand peer-to-peer lending platforms involving multiple beneficial owners and borrowers, where securities lending transactions take place without the use of traditional intermediaries.” Pg 16

I believe these types of lending platforms are going to thrive in the future and I hope that the U.S. will be leaders in innovation in this space. Done correctly, all data done can be transparent for all. If taken advantage of, we could see the data become opaquer. I believe this is where blockchain technology can help with real time data reporting, transparency, and efficiency within our markets while allowing peer-to-peer lending without the use of intermediaries.

“Different types of beneficial owners also operate under different laws and regulatory frameworks, which may or may not include regulations or regulatory guidance on securities lending activities.” Pg 18

I believe this may be a part of the problem. The exceptions written into rules for certain parties greatly increases the risk in our markets, especially when there is a gap in the data and reporting provided by self-regulated entities.

“While a security is on loan the borrower receives any dividends, interest payments, and, in the case of equity security loans, holds the voting rights associated with the shares. Usually the terms of the loan stipulate that dividends and interest payments must be passed back to the beneficial owner in the form of substitute payments.” Pg 19

The fact that someone can borrow a share to essentially “take” their vote for paying them a fee is absolutely insane. It’s equivalent to me paying someone cash and being able to vote for them in an election. Without data there is no way to prove this is happening, but I would like to know if borrows for certain companies rise in correlation with their annual vote dates.

Thank you for your time,

Richard M.