From: P D [REDACT]
Sent: Tuesday, June 08, 2021 7:18 AM
To: Comments, Public
Subject: Comment for proposed 21-19

To whom it may concern,

I am writing to comment on 21-19, regarding short positions.

Thank you very much for proposing the changes in 21-19. I am pleased we agree about the majority of the details, but am concerned you believe weekly would be sufficient

Prior to the advent of FOIA, the SEC claimed there was no naked shorting. After FOIA became available, the SEC claimed short abuses account for a mere 1.5% of traffic. The public is neither able to verify the veracity of these claims, nor do we believe them to be true. The public requires **daily** metrics for the metrics listed in Section B. We the public **require** you to publicly disseminate the items in Section D related to Failures to Deliver, regardless of SEC threshold. Failure to Deliver has been abused, so this information is paramount to investor confidence. **FINRA should require any member who incurs a Failure to Deliver to post collateral equal to the total price of the FTDs until resolved; said collateral requirements should increase as the share price increases.** If I understand correctly, parties are currently able to pass FTD obligations to another party to "reset the clock," so to speak. **This must stop.**

I request FINRA reserve the right to request updates at 1PM EST daily, and, if necessary, hourly, in addition to EOD, for specific stocks and/or market wide holdings in cases of extreme volatility. I do not care if the data is the delta (changes since last update) or current status.

I would also like to raise related, key points for your consideration.

(1) Companies who wish to issue shares must file at least an Exhibit 99.1 [sec.gov] with an 8-K, but any entity who creates and sells another company's shares via a Synthetic Position, naked shorts, or similar does not, even though they are effectively acting on behalf the Issuer in a legal capacity without knowledge or permission.

This includes any Market Makers granted exemptions under Liquidity.

(2) GME's consistent growth in share price in correlation with T+21 and T+35 options cycles [reddit.com] appears to stem from synthetic shares avoiding SI%. I honestly do not see how you can identify Synthetic positions without proactively auditing parties, because they will split their buy and sell transaction into a buy transaction and a sell transaction. Hopefully I misunderstand. There is also a strong correlation in share price movement [reddit.com] between GME, KOSS, BBBY, EXPR, BB, NOK, PLTR, AMC, and NAKD that is, "unusual," to say the least. I encourage you to read both synopsis.

(3) Both the SEC and FINRA must reduce the reporting timeframes from quarterly + 45 days to EOD or EOW at the latest. In the day of automation and high frequency trading, this task requires negligible overhead. FINRA should be the leader in this regard, wherever possible, and encourage the SEC to follow suit. The larger the window, the more potential for abuse. Right now, the system is being abused heavily.

(4) Initially, I had questions like, "Once you have identified these behaviors, do you perform any investigations to look for the same behavior in your historical data?" And, "Which key players have you identified that were involved in multiple short-bankruptcy events?" And, "What behavioral indicators have you identified, and how many historical instances of that behavior occurred?" However, you have made it clear that you lack the capabilities to perform such Post Event Analysis, a fundamental business process to proactively manage risk and recoup losses.

Quite frankly, given the impacts of the behavior, this is, at best, appalling. This attack vector gives Foreign (#7) and Domestic Actors alike the ability to systematically and precisely attack our publicly traded businesses. This includes businesses that support our national infrastructure, like Chesapeake Power (CHK), produce life-changing innovation, like Cassava Sciences Inc. (SAVA), and everything between. This behavior has cost America at least tens of thousands of jobs and countless innovations. I would imagine similar but different effects apply to the US bond market with even greater potential ramifications. At this time, you, the regulatory body, cannot differentiate between a systematic attack against our economy, financial infrastructure, national infrastructure, stock market, and/or bond market, and legitimate price discovery. And, upon discovery of a potential threat, you cannot perform post event analysis to facilitate identifying past occurrences, much less perform real-time analysis to identify and quarantine ongoing behaviors.

(5) I see no information about punishments for violating 21-19. If I understand correctly, that would retain the existing punishments. Given FINRA's history, I can only surmise the punishment would be yet another slap on the wrist. Historically, these punishments have been neither punitive nor restitutive, and they certainly do not discourage these behaviors or encourage good behaviors. If the choices are to make money and occasionally pay a "no admittance of fault" fine or make considerably less money, the business decision is simple. Take the risk, make money hand over fist, and sometimes pay a fine. The punishment for getting caught has no downside. I wish you could convince me otherwise, but you do not release relevant details that might sway public opinion. I have read the filings. **The current punishments encourage taking egregiously risky behavior.**

(6) I have heard one suitable argument against my position. In the House Finance Committee hearing, "Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide, Part III," Rep. Barry Loudermilk (GA-11) speaks at the 2:15:55 mark [youtube.com] and raises security concerns about consolidating data into a primary target. This is a valid concern. Ironically, bad actors would use that information to do the very thing shorters are doing right now. You cannot stop them without the information in one consolidated location, and the public cannot reasonably assist you. I emphasize again the importance of curbing FTD abuse and providing relevant, detailed reporting.

(7) I truly wish we had this data for Post Event Analysis given the rumors surrounding 9/11 that gave cause for this paper [jstor.org]. I recommend reading the paper, then watching the movie The Imitation Game, paying close attention to the statistics they use for decisions, and then reading the paper again.

"Consideration of the option market activity leading up to September 11 suggests that, in general, it is difficult to make reasonable judgments about whether unusual option trading has occurred in the absence of detailed knowledge about the distribution of option market activity."

My sincerest apologies for touching on a likely sore subject.

I recognize I am asking for the pendulum to swing both far more conservatively and far more transparently than the proposed, but given the current situation, the complete lack of accurate, relevant data, and the inability to identify potential threats quickly and reliably to be able to take appropriate action, FINRA must take a considerably harsher stance until sufficient safeguards are in place and behavior curbed.

Thank you,

P. Deneka