

Thomas Vallarino

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE : Amendments to REG SHO's Market Maker Exemption
Release No. 34-56213; File No. S7-19-07

October 25, 2007

Ladies and Gentlemen:

I would like to add yet more information that might be useful to the commission in determining whether to eliminate the market maker exemption and perhaps deciding to go further and require compliance with the statutes by mandating registration statements for all securities credited to investor accounts. I am not aware that the SEC ever positively gave anyone an exemption from the Securities Acts, so as to not require the filing of a registration statement for securities that fall under the authority of the Securities Acts.

Specifically, I would like to bring attention to the lawsuit against Morgan Stanley filed in August of 2005, involving Morgan Stanley fraudulently giving certificates of deposit to investors buying and storing Silver. Please see exhibit "A" attached to this document.

The fraud is similar to the delivery failure issue at hand, in that Morgan Stanley gave false balances for Silver and even charged for Silver storage, when it was determined in court, that Morgan Stanley never had the silver on hand and worse, had never even bothered to buy the Silver when instructed by the investors to do so and when Morgan Stanley confirmed it had.

The issue specifically concerns whether Morgan Stanley and many other large financial organizations who claim to hold and store silver for their customers, actually possess the silver. The answer that was confirmed in court is – no.

So before the commission gives much weight to the comments, influence and interference by the Wall Street firms and SIFMA members on this issue of delivery failures of securities to investors and the markets, I recommend it look at the facts in the Silver Fraud case and the data provided in the Securities Markets by NCANS members.

It is well documented that even while REG SHO only covers Threshold Securities and inter broker fails, even this limited data set shows that REG SHO has had almost no effect.

But what is much more important and of value to investors and the markets, are not inter broker fails of securities held at the DTCC and cleared through the NSCC, but rather fails between the investor accounts and the brokers.

If brokers do not buy what they are instructed to buy, then there are no fails in the market and no FTD generated through the NSCC. Everything looks just fine to the SEC and everyone else. However, the fraud and effect is the same as if inter broker FTDs had occurred. The investment capital is soaked up just the same and the effect on price and harm to investors and the issuer is the same as well.

Again I quote your Director of Market Regulation that made this statement on October 16,2007.

"When an imbalance occurs between the number of securities on deposit at the broker's DTC account and the number of securities credited on its customer accounts, the brokers can do one of a couple things."

"The methods by which brokers allocate votes to their specific customers also vary significantly."

This is exactly why these "security entitlement" securities should file a registration statement so that investors and the markets know what they are buying with the money being debited from their accounts and know at all times what is really held on their behalf. SEC rule 405 and Section 5 of the 1933 Securities act clearly define securities entitlements as securities. So the SEC needs to force compliance with the statutes, the basic principals of the markets by defining the products being sold and in accounts.

Only when securities entitlements file a registration statement and get properly defined, can the SEC even begin to get a grip on the harm done to markets and investors by informing investors on exactly what it is that they are buying with their money.

And it is not enough to just focus on what is credited to accounts. When securities are debited for lending purposes, this too must be clearly disclosed and visible to the investors who have paid money for the securities. At the very least, investors have a right to know what is being done with their property and even what type of property they are buying in the first place.

Otherwise, brokers will simply continue misrepresenting investor accounts about the securities being credited and maintained for investors and continue to create false appearances of trades in registered securities, violating section 9 of the 1934 Act and Section 5 of the 1993 Act.

Investors must know what type of securities their money is buying as investors do not own any DTCC deposited securities held in street name. This farce of misrepresenting securities in customer accounts has to end.

Sincerely submitted,

Thomas Vallarino