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

February 09. 2008

Ladies and Gentlemen:

It is with great concern that it is becoming obvious that in the SEC's cost benefit analysis, that the cost to equity securities investors, in terms of price erosion and pre-settlement risk, is ignored by the SEC. For how many billions of dollars are equity investors suffering to the MM exception in terms of price erosion and rental income loss on lending of their securities?

I hope that in the final release, this cost benefit analysis has been done, with hard dollar figure estimates as this is by far the largest cost effect this rule has.

The SEC says itself in this proposal:

> ***For example, large and persistent fails to deliver may deprive shareholders of the benefits of ownership, such as voting and lending. In addition, where a seller of securities fails to deliver securities on trade settlement date, in effect the seller unilaterally converts a securities contract (which should settle within the standard 3-day settlement period) into an undated futures-type contract, to which the buyer may not have agreed, or that would have been priced differently. Moreover, sellers that fail to deliver securities on settlement date may enjoy fewer restrictions than if they were required to deliver the securities within a reasonable period of time, and such sellers may attempt to use this additional freedom to engage in trading activities that deliberately depress the price of a security.***

The SEC must also define the authority under which market participants can create "***an undated futures-type contract, to which the buyer may not have agreed***"*and* ***"deprive shareholders of the benefits of ownership, such as voting and lending".***

If the SEC is to really do a cost benefit analysis, then these costs and effects will be fully analyzed in the final rule.

Especially the deprivation of voting rights from share holders, despite the D.C. court's decision in 1990 in *Bus. Roundtable v. SEC, 905 F.2d 406,* that ruled that the SEC had no authority to regulate voting rights of share holders, but rather ruled that only the states could regulate this corporate governance issue – must be fully justified in the final rule.

Sincerely submitted,

Thomas Vallarino