

August 12, 2006

Security Exchange Commission:

Please bear with me as I focus upon three items on laws passed by Congress in 1934. The SEC has shown great disrespect to these laws and has established their own rules that are truly illegal. If the SEC had enforced the law we would not find ourselves in our current situation. It appears that the SEC is more interested in protecting criminals than it is interested in upholding the rule of law. Please read the following and then I will comment upon the three phrases that are in bold, italics, and underlined (by me).

Securities Exchange Act of 1934

Section 17A -- National System for Clearance and Settlement of Securities Transactions

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1. The Congress finds that--
 - A. **The prompt and accurate clearance and settlement of securities transactions, including the transfer of record ownership and the safeguarding of securities and funds related thereto, are necessary for the protection of investors and persons facilitating transactions by and acting on behalf of investors.**
 - B. Inefficient procedures for clearance and settlement impose unnecessary costs on investors and persons facilitating transactions by and acting on behalf of investors.
 - C. New data processing and communications techniques create the opportunity for more efficient, effective, and safe procedures for clearance and settlement.
 - D. **The linking of all clearance and settlement facilities and the development of uniform standards and procedures for clearance and settlement will reduce unnecessary costs and increase the protection of investors and persons facilitating transactions by and acting on behalf of investors.**
 - E. The Commission is directed, therefore, having due regard for the public interest, the protection of investors, the safeguarding of securities and funds, and maintenance of fair competition among brokers and dealers, clearing agencies, and transfer agents, to use its authority under this title--
 - i. to facilitate the establishment of a national system for the prompt and accurate clearance and settlement of transactions in securities (other than exempted securities); and
 - ii. to facilitate the establishment of linked or coordinated facilities for clearance and settlement of transactions in securities, securities options, contracts of sale for future delivery and options thereon, and commodity options;

Section 9 -- Prohibition Against Manipulation of Security Prices

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- a. It shall be unlawful for any person, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange--
 1. For the purpose of creating a false or misleading appearance of active trading in any security registered on a national securities exchange, or a false or misleading appearance with respect to the market for any such security,
 - A. **to effect any transaction in such security which involves no change in the beneficial ownership thereof,**

Now I will focus on those three sections and you will see that my comments will be within the context of the laws:

1. *The prompt and accurate clearance and settlement of securities transactions, including the transfer of record ownership and the safeguarding of securities and funds related thereto, are necessary for the protection of investors and persons facilitating transactions by and acting on behalf of investors.*

The SEC is charged to make sure that *prompt and accurate clearance and settlement* takes place. All this Reg SHO discussion is necessary because the SEC has not upheld the rule of law. Prompt means immediate. Check a dictionary. Congress wrote this law. Thirteen days or three hundred days is not prompt. All trades are to be cleared and settled promptly. Please notice that this does not exclude ex-clearing! The SEC is charged with enforcing the law. Does the SEC have an enforcement division? It should get busy or the SEC should get out of the way so that some other federal agency that respects the rule of law will get the job done.

2. *The linking of all clearance and settlement facilities and the development of uniform standards and procedures for clearance and settlement will reduce unnecessary costs and increase the protection of investors and persons facilitating transactions by and acting on behalf of investors.*

What could have possibly allowed the SEC to spurn the above law? Notice the word "all". If there is any clearance that is not linked to settlement, then the rule of law is disrespected. Please note the reason for this law. It is for the protection of the investors and those who act on behalf of investors. Thousands of investors have had their resources destroyed because this law has been ignored. In fact, it appears that the SEC is more interested in protecting those who break this law than the law-abiding citizens. In my opinion the "grandfathering" was to protect the lawbreakers and leave those who obeyed the law and paid real money for real shares get destroyed. SETTLE ALL TRADES NOW AND MAKE RULES THAT UPHOLD THE LAWS PASSED BY CONGRESS!!!!!!!!!!

3.

B. to effect any transaction in such security which involves no change in the beneficial ownership thereof.

What is an important law that prevents "manipulation of security prices"? It is the above law that there should never be any transaction that involves no change in the beneficial ownership. How in the world can there ever be a single "failure to deliver" if this law was enforced? The SEC should start enforcing the rule of law or we should find someone who will. Every transaction should result in an immediate change of the beneficial ownership. Otherwise it is illegal. SETTLE ALL TRADES NOW AND QUIT PROTECTING THE LAWBREAKERS. Get rid of the host of exceptions and exemptions and enforce the law. Make and enforce rules that line up with 1934 laws.