

August 3, 2006

Thank you for permitting me to express my opinion concerning Reg SHO. The Securities Act of 1934 states its purpose is to “**protect investors**” and “**maintain market integrity**”. The Securities Act of 1934 states that all trades are to be settled in a timely manner. I can not find any thing in the Securities Act of 1934 giving the Securities and Exchange Commission the authority to permit either FTR’s (Failure to Receive) or FTD’s (Failure to deliver) securities. My broker requires me to settle my trades by making payment in 3 days (T+3). Since I must settle my trade in T+3, then in order to “**maintain market integrity**” the SEC should require all trades to settle in the same time frame. One item of note here: In my brokerage account, my broker takes my funds as soon as the trade occurs; this is even before settlement day.

In this time of computerization, information travels in nanoseconds not days. There is no reason a broker cannot tell whether legally borrowed shares are available before allowing the trade to proceed or that a seller has the ability to settle a trade within T+3. As an individual investor, I do not want to purchase an “entitlement” when I deliver my payment for a share I expect and should receive the actual share in T+3.

I would like to propose that you consider the following solutions for FTR’s and FTD’s.:

1. Eliminate Reg. SHO.
2. Require that all trades, regardless who makes them, be settled within T+3 or T+5 at most.
3. Eliminate all Market Maker exemptions.
4. Force all fails out of ex-clearing, so that brokers cannot pass them back and forth.
5. Eliminate the use of “IOUs” or “entitlements”.
6. Electronically mark a borrowed share as borrowed, so that it cannot be used again for another short sale. There currently is nothing to prevent the same borrowed share from being sold over and over again, thus creating more “IOUs” or “entitlements”.
7. FTR’s and FTD’s are actually “FRAUD”, furthermore, FTD's are also by definition illegal counterfeiting and as such should not be handled in an administrative proceeding, but should be passed to the Department of Justice for criminal prosecution. Through the criminal proceeding the DOJ should go after the total amount of ill gotten gains, in addition to penalties.
8. In all administrative proceeding the SEC should ascertain the amount of ill gotten gains and assess that amount in addition to any penalties. This should then be turned over to the US Treasury for collection and handled as a debt to the U.S. Government.
9. I have requested paper certificates on several occasions and have received them within 15 working days. However, with heavily shorted companies there appears to be a problem in obtaining paper certificates. Require all brokers provide paper certificates, when requested, with 15 working days of the request. There should be a penalty, equal to the value of the outstanding shares, for each day the paper certificates are not delivered beyond the 15 days.

Also, in order to aid in the “protection of investors” and “maintain market integrity” the SEC should consider the following:

1. Provide on the SEC's WEB site, a listing sorted by company name/broker of all proceedings against them and the outcome of that proceeding.
2. When the SEC opens an inquiry or investigation of a company, the company must inform investors in order to protect itself. Likewise the SEC should notify investors when they have concluded an inquiry or investigation and the results of same.
3. Provide short sale numbers for all securities on a daily basis.
4. In order to "protect the investors", particularly during a "bear raid", place a notation on the tape showing a short sale.

Thank you.