

SEC Investor Advisory Committee

Examine the Disclosure of AI's Impact on Company Operations; and Retail Investor Fraud in America at March 6 Meeting

[File No. 265-28.](#)

March 3, 2025

Thank you for the opportunity to submit comments as afforded to me by 5 U.S.C. § 553 (2022) (c).¹

Specifically, I would like to provide comments for the SEC Investor Advisory Committee to Examine the Disclosure of AI's Impact on Company Operations and Retail Investor Fraud in America at the March 6, 2025 Meeting. This meeting was announced on February 27, 2025. Therefore, I am within the 30-day comment period.

More specifically, I will address my comments to the afternoon session focusing on "Retail Investor Fraud."^{2, 3}

The draft scope of discussion provided before the meeting⁴ does NOT address the central issue of security traceability as a prerequisite for "Investors' Ability to Bring Claims Under Section 11 of the Securities Act of 1933."

In *Krim v. pcOrder.com, Inc.*⁵ The Fifth Circuit Court required that plaintiffs show that they can positively trace the purchase of their *bona fide* share, which would provide them with legal standing, and not rely on a statistical probability that they purchased a share.⁶

Therefore, the current situation in which short sellers can create synthetic short shares and rehypothecate shares would preclude any aggrieved plaintiff with a legitimate claim of losses from legal standing and negate legitimate plaintiffs' ability to "Bring Claims Under Section 11 of the Securities Act of 1933."

Perhaps some background may help explain my interest in these matters. I previously submitted comments on short-selling in 2007 (<https://www.sec.gov/comments/s7-19-07/s71907-312.htm>). These comments were referenced in the Federal Register / Vol. 74, No. 146 / Friday, July 31, 2009 / Rules and Regulations, SECURITIES AND EXCHANGE, COMMISSION, 17 CFR Parts 200 and 242, [Release No. 34-60388; File No. S7-30-08], RIN 3235-AK22, Amendments to Regulation SHO

¹ "After notice required by this section, the agency shall give interested persons an opportunity to participate in the rule making through submission of written data, views, or arguments with or without opportunity for oral presentation."

² <https://www.sec.gov/newsroom/press-releases/2025-45>

³ <https://www.sec.gov/files/iac-proposed-slack-recommendation-021825.pdf>

⁴ Draft as of 2.18.25, To Be Discussed at the March 6, 2025 meeting of the SEC Investor Advisory Committee, <https://www.sec.gov/files/iac-proposed-slack-recommendation-021825.pdf>
<https://www.sec.gov/about/advisory-committees/investor-advisory-committee/iac030625-agenda>

⁵ United States Court of Appeals, Fifth Circuit, Mar 1, 2005, 402 F.3d 489, 5th Cir. 2005

⁶ <https://casetext.com/case/krim-v-pcordercom-inc-3/case-summaries>

I was hopeful that the 2009 Amendments to Regulation SHO would stop abusing short selling and facilitate true price discovery and transparency.

However, my hope was misplaced. The billions of dollars of “securities sold but not yet purchased”⁷ that frequently appear in SEC filings implies that banks, brokers, authorized participants, the Municipal Securities Rulemaking Board (MSRB), National Securities Exchanges, National Securities Clearing Corporation (NSCC), the Depository Trust & Clearing Corporation (DTCC), and the SEC are not serious about stopping abusive short selling.

The SEC and DOJ recently cracked down on at least one abusive short seller.⁸ However, many much larger abusive short sellers appear to escape scrutiny continually. The equity markets are blatantly manipulated and have been for years.⁹

This may be the Security and Exchange Commission’s last chance to stop abusive naked short-selling. Social media is spreading the word, and retail investors are becoming increasingly aware of the multitude of methods that criminals use to manipulate equity markets. Voices demanding criminal prosecution for market manipulators and some government officials who might willingly ignore the abundant evidence of abusive short-selling are becoming louder and reaching a crescendo.

On Thursday, February 20, 2025, the Justice Department Chief of Staff Chad Mizelle stated,

“Today the Department of Justice determined that multiple layers of removal restrictions shielding administrative law judges (ALJs) are unconstitutional.

Unelected and constitutionally unaccountable ALJs have exercised immense power for far too long. In accordance with Supreme Court precedent, the Department is restoring constitutional accountability so that Executive Branch officials answer to the President and to the people.”¹⁰

Therefore, in the future, the Securities and Exchange Commission may need to defend itself against retail investor lawsuits without assistance from the Department of Justice.

Respectfully,

/s/

Jack Wedam, Investor

CC: DOGE-SEC

⁷ US GAAP Disclosure List, SEC Schedule, Article 12-12A, Investments in Securities Sold Short, <https://www.readyratios.com/usgaap/InvestmentsSoldNotYetPurchased/>

⁸ DOJ And SEC Crack Down On Market Manipulation: Enforcement Actions Against Short Sellers Signal Increased Scrutiny, 10 September 2024, <https://www.mondaq.com/unitedstates/securities/1515408/doj-and-sec-crack-down-on-market-manipulation-enforcement-actions-against-short-sellers-signal-increased-scrutiny>

⁹ Dr. Susanne Trimboth, *Naked, Short and Greedy: Wall Street's Failure to Deliver*, 2019

¹⁰ <https://www.justice.gov/opa/pr/statement-justice-department-chief-staff-chad-mizelle>
Thursday, February 20, 2025