

The International Association of Small Broker Dealers and Advisors

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The International Association of Small Broker-Dealers and Advisors ,www.iasbda.com appreciates the opportunity to respond to the U.S. Securities and Exchange Commission's request for comments (76 Fed. Reg. 26787 (May 9, 2011)) on the short selling

studies required by Section 417(a)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Act). We wish to comment on the need for the public and the regulators to understand exactly what is happening to our markets in real time. Since the implementation of Reg SHO there has been slow but steady progress in the Commission's understanding of the negative impact of abusive short selling .The Congress has finally required a focus which has been recommended by many ie real time reporting. Whether its done by pilot or permanent rule we believe that the public needs to know when sellers are selling stock they do not own. whether legitimately or abusively. Recognizing that there are costs involved we believe that small to medium firms should receive this transparency first.

We urge the SEC to adopt rules that require the exchanges and all trading platforms to report total short and long volume through the Consolidated Tape in real time as a simple and inexpensive means to promote needed transparency in the markets. we begin by noting however that the question of whether abusive short selling exists has long been answered and should not be asked in this proposal. Cases brought and statements by the CEO's of major banks and legislators have made a strong argument in this regard.

This simple requirement would help the SEC to regulate by bringing sunlight to a dark area. Aggregate volume is already reported in real time. Prompt reporting of aggregate long and short trading volume by security will accomplish the following:

Congress, the SEC and other regulators will be able to monitor, assess, and respond to market events and discourage manipulative trading. Investors and analysts will better understand stock activity and stock prices. Issuers will be able to reply with more certainty to questions about the nature of trading in their stock. Wall Street firms and hedge funds will be able to use this short volume data to dispel any inaccurate myths regarding short sellers and short sales. Academics will have more complete and timely data with which to analyze market microstructure.

Importantly, this requirement would not reveal or compromise individual traders' positions and strategies. the commission should

require that all trades printed to the Tape be marked “short”, “market maker short”, “buy” or “buy-to-cover.” It is critical that this requirement apply to trades on *all* exchanges. It is even more critical that this information be available in times of financial crisis or terrorist attacks. The **Overstock** comment letter of May 19, 2011 details a recent Defense Department report on Economic Warfare noting that abusive short selling was an important factor in the 2008 financial crisis. We believe the commission has consistently underestimated the national security need for abusive short selling protection and ask whether the Commission's response to the 911 attacks may have been different if this type of reporting were in place. We also ask why this national security area was not part of the request for comment.

The cost to implement real time reporting on the Tape is minimal because currently SEC Regulation SHO requires that all trades be reported short/long, so this information is already collected by the exchanges at time of execution. As Michael Gitlin of T. Rowe Price told the SEC short selling roundtable :

- The real time tagging and display of short sale executions on the consolidated Tape would provide market participants with a more in-depth understanding of trading activities in any given security on any given day. By marking short sale executions as short on the consolidated Tape, we are creating an equal and fair marketplace whereby long sales would necessarily be recognized as having been sold long . . . We believe the benefits of the Consolidated Tape reporting for short sales outweigh any additional costs.

Given the severity of the economic crisis that resulted from the emergence and manipulation of exotic and opaque trading practices, there should not be serious objections to more transparency and information for investors, issuers, regulators, Congress academics, and anti-terrorism personnel.. Options activity, both puts and calls, is already disclosed to the market at the time of trade. Retail trades (short/long) are known to brokerage firms at time of execution. Real time tagging and disclosure of short and long sales by ticker would level the playing field for all investors. Additionally, short and long sale disclosure by ticker is less onerous than short sale disclosure by firm (or client).

While some argue that opponents of abusive short selling wish to treat short selling differently than long buying, that is not our purpose. In fact, it is just the opposite. We advocate short reporting be done the same as long reporting. The SEC should require full transparency for both, especially in volatile or crash markets. The recent flash crash is troubling not only because of its size, but more importantly because neither regulators nor investors understand it. The possibility that short selling could have played a part in the flash crash requires the full and real-time transparency for which I am advocating.

Issuers who were severely impacted should know the dynamics of long and short selling. Investors should know whether large amounts of aggressive short selling are legitimate or abusive. The disclosure we are advocating would allow the private sector to join with the regulators in their enforcement efforts. It may also allow private sector issuers to alert the SEC to unusual patterns, including naked short selling coupled with rumor mongering. Those closest to a stock may be able to spot subtle trading pattern differences and inform regulators and/or initiate

civil action. The Wall Street Journal reported on June 4,2010 at page C1 the testimony of certain veteran traders at the recent SEC roundtable on high speed trading:

- “Some fast-moving computer-driven investment firms are getting an edge by trading on market data before it gets to other investors, according to market players and researchers who have studied the trading. The firms gain that advantage by buying data from stock exchanges and feeding it into supercomputers that calculate stock prices a fraction of a second before most other investors see the numbers. That lets these traders shave pennies per share from trades, which when multiplied by thousands of trades can earn the firms big profits.” See also <<<http://abcnews.go.com/Business/wireStory?id=10808036>>>.

Some of these veteran traders went so far as to test and prove their theories by various bait and trap initiatives with counter parties. Clearly, the private sector can be helpful when it has information about suspicious trading patterns. Finally we are particularly concerned about the continuing practice wherein hedge funds publicly attack issuers and then urge the commission to start an investigation. If this is legitimate activity why shouldn't the trading in those targeted securities be transparent? The question here is not why transparency should be required but why not.

Sincerely,
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