Thursday, June 17, 2010

Financial Reforms

The Cause of the Financial Crisis of 2000

Make sure to read to the end about “Reserve Shares”

E*Trade Securities Fraudulent manipulates margin account settings to undermine customers. What they will do is say you can borrow a certain amount one day and then the next they will tell you that you were not allowed to borrow the amount you just did and you have to put more money in the account. They do this via fraudulent back office manipulations in the rates that are a percentage of the equity you own. This is criminal behavoir and it undermines every American and investment in this country. In effect one day your account might say that you have borrowing capacity of 50,000.00. So you go ahead and borrow, all the time making sure that you have not borrowed too much. Then the next day they say that you owe $50,000.00 by changing a percentage rate in the computer somewhere that you are never made aware of. The total Account Value will be the same from one day to the next, but how much money they say you have owe them right away goes from extra borrowing capacity to a margin call at their whim. A margin call forces you and to sell when you don’t want to. This creates volatility in the markets. A volatility of this magnitude can lead to a great Depression.

This is fraud and manipulation and what the Securities and Echange Acts of 1933 and 1934 tried to extinguish. I have contacted them on this and told them that investor trading on margin need to have transparency into how their borrowings are calculated but have not seen any change.

E*TRADE Securities does have “Button” on its website that allows customers to update their account balances to real time values in terms of how much margin you need to maintain regarding and funds that you have borrowed from them. This feature does not work in real time as it states.

E*TRADE was at the forefront of the financial crisis of 2000 and the mortgage crisis of 2008. I believe this fraudulently flawed system might bear some of the responsibility for these events. As customers borrow and do not know in real time that they have over borrowed. But sometimes the systems is updated in realtime and sometimes it isn’t. It all depends what the customer is doing and how the broker can profit from manipulation thereof. This is akin to what caused the stock market crash of 1929. When stock prices decline just a little this forces an increased risk of panic selling when at the end of the day they find that their loan to value ratio was not maintained in real time as indicated to them by the website. A class action suit, Exchange Commission is justified on behalf of stock brokerage customers.

Barrack they can only profit if they can take a position against the customer, Ie. a Short Sale, an investment whereby when the stock goes down they make money. Without short sales stock prices would be fairly valued or reflect more of a true value not subject to manipulation. The brokerages would argue when there are not enough shares outstanding they cannot sell to you a stock they cannot acquire. In this case the money for those extra sales should go into a new term called reserve shares, the money from reserve shares would go into a bank account for the company that issued them. The only investment the company would be able to make would be government issued debt, unless they wanted to convert reserved shares into shares outstanding. This new accounting would be much like the reserves China has in their accounting system. It would also eliminate greed, fraud and evil from the stock market. Wall Street would be forced to earn their money. Wall Street loves to profit from the lack of confidence and ignorance of its customers. I know what their character and integrity is, I

Sincerely,

Thomas Murphy

Posted by THOMAS at 7:07 AM 0 comments
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