April 4, 2008

Greetings,

It is refreshing to see that the SEC is finally starting to get a handle on the "naked shorting" which has plagued our markets since the rise of the hedge funds this past decade. Thousands of these funds are abusing the system; it would be impossible to convey to you the carnage caused by these people using this illegal activity. How many companies and investors have lost from the failure of the SEC to enforce it's own rules regarding regulation SHO? You know who the offenders are, as this data is provided daily by the exchanges. Yet these manipulators are not held accountable.

Most certainly the brokerage houses are in on the scam; for example, I received from Charles Schwab a handsomely presented offer to "borrow" my shares of a company which I held in an IRA. The stock was on the SHO list, and there was no stock to short. Why did they even ask for this arrangement unless someone which Schwab was fronting for was desperate to get their hands on anything which could be used to create a "delivery?" And if I had agreed to this arrangement, how many times would these shares been passed along from short seller to short seller the same day to create "delivered" shares?

Some of the failure to deliver timeframes go back MONTHS. Again I ask "Why have you not already enforced the rules in place?" I am in full support of the new regulation as long as the regulation goes far enough and it is enforced. The creation of counterfeit shares via naked shorting must be made illegal and strickly enforced in the future.

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