I am just a lowly individual, but I've had it with the SEC and am pulling all my investments and retirements out of the stock market. It is not fair and it is not honest – I am being stolen from.

You don't protect me against naked short-sellers who are betting against America and American companies and America's future - for profit!

The very structure of naked short-sells manipulates the market downward by falsely increasing "supply" (now two people "own" the same stock since it was only "borrowed" and never even changed hands) which, in turn, artificially dilutes "demand", which means that my stock investments go down. Ever hear of "privatize the profits and socialize the costs"? Once again, a middle-class schmuck like me is paying for the corporate fat cats. Where can I "borrow" millions of dollars of stocks for three days so some other suckers can absorb my risk?

All short sellers are, to a degree, incentivized to publicize negative conditions far beyond their true scope - and the returns guarantee that some even spread disinformation - to lower prices that increase the volatility and the risks of my investment.

"Just because we're robbing the grave doesn't mean we necessarily killed the guy" isn't good enough anymore!

If you don't regulate to the extent that people like me think the market is fair and honest, then we will continue to avoid investing.

From http://www.deepcapture.com/with-media-absent-a-senator-reports-the-news/ ..:

> **Senator Ted Kaufman about the problem of abusive short selling.**
>
> The Senator said: "We've got to have people feel that they're getting a fair share and the market's on the level…Clearly, every indication is that things went on in terms of short selling – both in Bear Stearns and Lehman Brothers, but in others – where abusive short selling drove the price down and legitimate people in the market got mauled."
>
> That is to say: rampant naked short selling (hedge funds illegally selling phantom stock to destroy public companies for profit) helped trigger the greatest financial disaster since the Great Depression.

This is a scandal of some magnitude. That is why members of Congress on both sides of the aisle have demanded that the Securities and Exchange Commission take action.

Today the SEC held a special meeting to discuss short selling, and it was a whitewash. The focus was on reinstating the uptick rule, which is precisely where the short sellers wanted the focus to be. No talk of taking the necessary steps to wipe out illegal naked short selling.

Instead, the SEC recommended "caution" in cracking down on the criminals and suggested that new short selling rules (enacted in the midst of last September's meltdown) are "working." The new rules are basically the same as the old rules. Whereas previously short sellers were required to deliver shares within three days, now short sellers are "*really*" required to deliver the stock within three days.

This new regime, like the old regime, has several shortcomings. The first is that hedge funds can continue to sell unlimited amounts of phantom shares within the three-day window. During these three days, the stock price naturally tanks, at which point the hedge funds buy the cheapened stock and cover their "short sales" (which are really fake long sales, for no stock was ever borrowed) at a profit. The hedge funds repeat this process over and over, every three days, until the stock is in the single digits and the company's lenders panic, cutting off credit.

The second shortcoming of the new regime is that hedge funds and their brokers are not, in fact, delivering stock within three days. The SEC's list of companies whose stock was failing to deliver in excessive quantities shortened considerably after September, but that is partly because the short sellers had finished the job – the market was already destroyed. As the market recovered from its low in March, the abusive short selling resumed, and the number of companies on the list increased from 55 to around 75 companies today.

Given that nearly every one of those companies are targeted by hedge fund managers who are using a variety of other tricks (spreading false information, scheming to cut off companies' access to credit, etc.) it is clear that the failures to deliver are not mere mechanical errors, but the result of strategic, illegal naked short selling. That is, at least 75 companies are getting raped every day and we remain witness to the bizarre spectacle of the sheriff publishing the list of victims while keeping the names of the perpetrators a secret.

Moreover, there are good reasons to suspect that the vast majority of naked short selling occurs in corners of the market (ex-clearing, desk trades; off-shore, etc.) that do not register in the SEC's published data. The market has recovered some in recent weeks, but it seems just a matter of time before the shorts unleash another round of carnage.

There is only one way to prevent this from happening: force hedge funds and brokers to purchase or borrow stock *before* selling it. This seems simple enough, yet today's meeting at the SEC suggests that officials remain captured by the hedge fund lobby, which used to insist that naked short selling never occurred, but now says that the very functioning of free markets depends on the SEC allowing naked short selling to occur.

To support this argument, the short sellers continue to haul out the same few professors who purport to show that naked short selling enhances "market liquidity." In every case, the reports published by these professors have contained multitudes of cherry-picked statistics and calculations so erroneous that we are left to assume that the professors either slept through seventh grade math or realized at some later stage in life that there is benefit to be derived from spewing balderdash in service to Wall Street's most powerful billionaires.

As Senator Kaufman put it last night, the short sellers and their professors argue "out of both sides of their mouth…they're willing to throw any mud against the wall and see if it sticks." The Senator added that he believes SEC commissioners buy this "market liquidity" nonsense – even as the Senate, the House, the American Chamber of Commerce, the leaders of the nation's biggest banks, and all of the major stock exchanges have called for an end to naked short selling – simply because the commissioners previously denied the problem existed and now they "don't want to admit they made a mistake."

Perhaps the same can be said of some of the nation's most "prominent" journalists, who churned out countless stories arguing that naked short selling does not occur (only "conspiracy theorists" see phantom stock, the journalists said), but who have been oddly silent on the issue ever since phantom stock helped bring about the near total evisceration of our financial system.

[As for the argument] that we don't have to worry about naked short selling because if naked short sellers drive a stock low enough, somebody will step in to buy the company. I doubt most readers need this to be explained, but just in case, I'll clarify – it is *illegal* for naked short sellers to drive a company's stock price

down to single digits so that it can be taken over by some corporate raider. It was illegal and cataclysmic that short sellers aired false rumors about Bear Stearns while selling 13 million phantom shares in the company – never mind that somebody stepped in and bought Bear Stearns after it had been mutilated.
~ by Mark Mitchell

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