August 19, 2008

I am a retail investor and shareholder in multiple small & mid cap companies. I am sickened by what I feel is the rampant Naked Short Selling allowed to go on.

I have seen the below article, indicating Mr. Cox is to be proposing changes. About time. One, I thought there were already rules against Naked Short Selling.

I will paraphrase another investor's sentiment on what should be done:

The SEC should require:
1) ANY short position to be filed the day it is taken;
2) No shorting of stock if also long in that stock;
3) Any Failure to Deliver should carry massive monetary penalty (1000x the value of the FTD) payable TO THE COMPANY the FTD represents, AND felony jail time for the perp;
4) Daily Short Interest AND FTD data for ALL stocks—to be reported within 15 minutes of market close;
5) Violations should get five year banishment from ANY participation in the Markets and a second violation gets a lifetime ban and 10 years in prison.

Please do what is only the 'right thing to do'!! As a child I learned right from wrong; and allowing Naked Short Selling, is just not the right thing to do!!

Thank you, in advance, for your actions!

Foster Jones

>>> Reuters
Cox: SEC to propose short sale rule in weeks
Tuesday August 19, 2:32 pm ET
By Karey Wutkowski

WASHINGTON (Reuters) - The top U.S. securities regulator plans to propose a new short selling rule in the next few weeks which would be broader than an emergency order covering just 19 financial stocks which ended last week.

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U.S. Securities and Exchange Commission Chairman Christopher Cox said on Tuesday the proposal "will focus on market-wide solutions." He said it is not intended to have any impact on the direction of stock prices.

Cox also said the agency is still considering proposing that investors be required to publicly disclose substantial short positions in stocks. Substantial long positions in stocks already have to be disclosed.

"Our proposal will be designed to ensure the smooth functioning of the markets," Cox told reporters. "We support the equally important role of bets on the upside and on the downside."
The SEC imposed an emergency rule on July 21 that required short sellers to pre-borrow stock in mortgage finance giants Fannie Mae (NYSE:FNM - News) and Freddie Mac (NYSE:FRE - News) and 17 major Wall Street firms such as Goldman Sachs (NYSE:GS - News) before executing a short trade.

Short sellers arrange to borrow shares they consider overvalued and sell them in hopes of making a profit when the price drops. It is a legitimate form of trading but often blamed when a company's shares fall.

The SEC's emergency rule was aimed at cracking down on illegal naked short selling, when an investor sells stock that has not yet been borrowed.

Cox said on Tuesday that failures to deliver stock "were reduced substantially" for the stocks covered by the emergency rule. "It was a very effective order from that standpoint," Cox said.

He said the SEC's emergency rule was never intended to prop up the stock prices of the 19 companies. "We expected and intended to have no impact whatsoever on the direction of prices," Cox said. "That's not the purpose of regulations."

Investors who bet on falling stock prices also had been required to deliver the securities by the settlement date.

Short trading on the 19 stocks reverted to rules governing other shares on August 13.