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Securities and Exchange Commission
100 F St. NW
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Rule-comments@sec.gov

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Dear Securities and Exchange Commission:

The “interim final temporary “ Rule 204T has created enormous progress in reducing the protracted failures to deliver that have been an embarrassment to our capital markets. Good job! The Reg SHO Threshold List has dropped from around 500 firms to less than 50, and the majority of the remaining stocks are penny stocks and foreign stocks.

However, victory is not yet complete. At a time when the U.S. government is debating how to prevent a collapse of the domestic auto industry, General Motors is not only on the threshold list, but it has been for 13 days as of today. This is a strong signal that more needs to be done to prevent and correct settlement failures. This signals that either SEC/Finra enforcement of the new rule is inadequate, or that there are loopholes in the rule that can and will be exploited by manipulators.

What more can be done? As I have suggested in previous comment letters, imposing suitable fees for late delivery would help to overcome the financial incentive to fail to deliver when the cost of borrowing is higher than the interest earned on the collateral. Late fees help deter overdue books at the library, and they can help deter late delivery of securities as well. Another possible action would be to give the party that is failing to receive the option to bust the trade. This would remove any financial gain caused by

naked short selling. The Commission should delegate the details of preventing and correcting settlement failures to DTCC because they generally do a fine job of running our clearance and settlement system.

Furthermore, there is still a need for better transparency around failures to deliver. Faster display by the SEC of the failure-to-deliver data will help to dispel the shadows of suspicion that have been cast on the integrity of our markets. As we supposedly have hard delivery requirements that kick in on T+4 and T+6, releasing the settlement failure data one week after settlement date should not provide any fuel to manipulative schemes.

On a technical note, the SEC should permit fails to be closed by borrowing in addition to buying in.

In addition, the SEC should explore methods for making the stock lending market more efficient in order to prevent costly problems at settlement time. Such methods could include improved transparency in the market, as well as facilitating the creation of a central counterparty to reduce risk in the stock lending market. I am sure that the Commission is well aware of the counterparty risk problems in the stock lending market that became apparent in the recent cataclysm. There is also a need for a more efficient system for lending small amounts of stock as there is no *de minimis* exception in the delivery rules.

Respectfully submitted,

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Previous comment letters by James Angel, Georgetown University, on short selling and Regulation SHO:

<http://www.sec.gov/comments/s7-20-08/s72008-521.pdf>
<http://www.sec.gov/comments/s7-19-07/s71907-117.pdf>
<http://www.sec.gov/comments/s7-12-06/s71206-266.pdf>
<http://www.sec.gov/comments/s7-21-06/s72106-35.pdf>
<http://www.sec.gov/rules/proposed/s72303/jjangel011004.htm>