

Ms. Florence E. Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

**RE: Amendments to Regulation SHO (Interim Final Temporary Rule)
SEC Release No 34-58773, File No. S7-30-08
From: Dr. Jim DeCosta**

“Clearance and settlement systems like that of the DTCC which utilize “central counterparties” and the legal concept of “novation” are extremely susceptible to abuse. At one moment the seller of securities owes an investor half way around the world the delivery of the securities he sold to him. Two seconds later after “novation” takes place the seller, an NSCC “participant”/co-owner of the NSCC, owes delivery to the NSCC management which are its employees. Two seconds after that the NSCC management (the employees) informs the seller of securities (one of its bosses) that it is a “powerless” creditor of that debt and that it can’t force its boss to deliver that which he sold but that his boss should at least collateralize the monetary amount of the delivery obligation on a daily marked to market basis to lend the whole process a sense of legitimacy. A day or two after that the presence of all of the readily sellable “securities entitlements” resulting from all of these “we can’t force you to deliver” causes the share price to plummet which lowers the collateralization requirements which in turn unconscionably allows the funds of the victimized investor to flow to those refusing to deliver that which they sold. Now that is one well-designed “fraud on the market”.”

THE “CVP ROOMS” AT THE DTCC

When a U.S. citizen buys shares of stock in the U.S. there are a couple of different ways that order can get processed within our current DTCC-administered clearance and settlement system. Metaphorically speaking, on “settlement date” (3 days after the trade date or “T+3”) the purchaser of shares or his agent shows up at the DTCC’s NSCC subdivision’s metaphorical “delivery versus payment” (DVP) room. In reality everything has been computerized since the days of “immobilization” and “dematerialization” of course.

The purchaser has a bag of coins (as it were) in hand that he hands to the NSCC rep who then hands them off to a rep for the seller of shares in that particular transaction. The seller’s rep then hands the properly endorsed shares purchased to the NSCC rep who then hands them to the buyer or his rep. The NSCC acting as the “central counterparty” (CCP) acted as the intermediary to the trade. They acted as the buyer to the seller and as the seller to the buyer in our clearance and settlement system based upon the legal concept of “novation”.

“Novation” means “to create anew”. The original contract between the buyer and seller involving the simultaneous swapping of properly endorsed shares for the buyer’s funds on “settlement date” is extinguished and converted into two new contracts. Firstly, the NSCC contracts to do whatever is necessary to acquire properly endorsed shares from the seller and to forward them on to the buyer. Secondly, the NSCC as the CCP contracts to do what is necessary to acquire the funds from the buyer and to forward them on to the seller. At first glance one might ask who needs the middleman. On closer review could you imagine the amount of due diligence any given broker would have to do to evaluate the credit worthiness of any of thousands of potential counterparties. Utilizing a “CCP” bypasses this and allows the “CCP” to assert a “trade settlement guarantee”.

The biggest risk in having a clearance and settlement system utilizing CCPs and “novation” involves the CCP not acting in good faith towards investors in the associated markets. All of those counterparty risks needing to be assessed in a system without a CCP don’t disappear in a CCP-based system they are just intentionally concentrated onto the shoulders of the CCP itself. I would refer you to the November of 2004 Technical Committee of the International Organization of Securities Commissions (IOSCO) “Recommendations for Central Counterparties”.

If the management of the CCP (our NSCC) chooses to look after the financial interests of its “participants”/owners and shirk its fiduciary duties of care to U.S. investors then massive amounts of investor thefts would ensue and all of those risks will be placed squarely onto the shoulders of the citizens of that country whether they be investors or not. Why? It’s because the CCP will have easily reached the status of being “too big to fail” or “too critical to fail”. A corrupt CCP can be counted on to leverage this being “too big to fail” to predictably shunt the funds of unknowing investors into the wallets of its own owners/participants. This is precisely what has happened in the United States’ clearance and settlement system.

What happens in a clearance and settlement system utilizing CCPs and “novation” is the CCP (NSCC management) “discharges” the delivery obligation of the seller of shares in exchange for its “assuming” this delivery obligation and then “executing” on this delivery obligation. It is critical to note that the NSCC management just “discharged” the delivery obligations of one of its own bosses/”participants” which are basically its “alter ego”. Perhaps this is fine but if and only if the NSCC management promptly “executes” on the previously “discharged” delivery obligations it just “assumed” otherwise a “fraud on the market” of incalculable amounts of dollars could be easily perpetrated against the U.S. citizens investing in these markets.

After purchasing shares of a corporation could you imagine the scale of the potential damages to investors associated with the “discharging” of the delivery obligations of the original selling party and their being “assumed” by the “alter ego” of the sellers that might have the audacity to plead to be “powerless” to “execute” on these delivery obligations? A “shell game” of this nature could undermine the integrity of our entire market system and unfortunately it already has.

In a sense it's partly our faults. Just where did we think the billion dollar plus annual salaries of a couple of dozen hedge fund managers came from in a "zero sum game" like Wall Street? How about those tens of billions of dollars of annual bonuses being paid to the "banksters" even after the U.S. taxpayers bailed them out? Investors need to be less reliant on regulators and start asking themselves where all of these gains of these "Wall Streeters" are coming from. Unfortunately they won't have to look too far to find those taking the losses.

Note that in regards to the first of the two "novated" contracts cited above that the NSCC entered into if the NSCC refuses or pleads to be "powerless" to do what is necessary to acquire the securities from the seller then it obviously won't be able to perform the second half of that first contract involving forwarding the securities acquired on to their rightful owner the purchaser of the shares.

What is really perplexing or perhaps diagnostic of fraud is that the party with the unfathomable "power" to "discharge" these debts AFTER discharging the debts might have the audacity to turn around and all of a sudden plead to be "powerless" to "execute" on the delivery obligations it just "assumed". The net result would be to take its bosses/alter ego off the hook for these delivery obligations after the buyers of these nonexistent shares already tendered his funds.

As noted the utilization of a CCP in a system based upon "novation" is done in order to centralize what otherwise would be a vast network of difficult to quantify counterparty risks that would impede the clearance of the enormous amounts of transactions occurring daily in our markets. In reality nowadays all of this is done electronically through the DTCC participants' "cash" and "share" accounts utilizing the NSCC's "Continuous Net Settlement" (CNS) system. In the above example involving the simultaneous delivery of and payment for ("Delivery Versus Payment" or DVP) the securities involved all is good and the trade has legally "settled".

Sometimes, however, the buyer's rep shows up at this metaphorical "DVP room" on "settlement date" with his bag of coins but the seller's rep doesn't show up with any properly endorsed securities. A "failure to deliver" (FTD) has occurred. The NSCC's rep will then approach the buyer's rep and say that it appears that one of my bosses must have gotten "held up in traffic". Please make a mental note here as the NSCC's "default assumption" is that ALL delays in delivery past "settlement date" are of a "legitimate" (unintentional) nature until proven otherwise but as we'll learn in a moment the problem is that once you can prove "otherwise" i.e. if delivery still hasn't occurred by perhaps T+6 or so then it's too late because the NSCC management will as if on cue plead to be "powerless" to do what is necessary to acquire the missing shares from its boss that is refusing to deliver that which it sold. This is despite the fact that this failed delivery obligation has now been proven to be of an "illegitimate/intentional" nature.

I know right now you might be wondering how the party that just "contracted" via "novation" to do what is necessary to acquire the shares from the seller so that it can later deliver them to the buyer can all of a sudden plead to be "powerless" to do what is

necessary to acquire the shares in order to later deliver them. There are a variety of frauds that use this same modus operandi utilizing a theoretically powerless “straw man” or “nominee”. It’s almost as if the muscle bound NSCC management member after “discharging” the delivery obligation goes behind the curtain and puts on a fake body cast and reappears proffering to be “powerless”.

This little “NSCC two step” involving the “discharging” of the delivery obligations of its bosses in exchange for “assuming” and “executing” on them followed by pleading to be “powerless” to do so opens up the floodgates to these abusive naked short selling (ANSS) frauds. In no way, shape or form can these frauds be perpetrated without the DTCC and its various subdivisions going well out of their way to not only provide the meticulously designed infrastructure facilitating these frauds but to also be willing to cover them up now that the investing public has become aware of their existence. As to what is the greater crime the commission of the theft or its cover up I’ll leave that up to the authorities.

Upon the seller’s rep “no showing” on settlement date if the buyer’s rep were to say no big deal I’ll just make myself comfortable and wait for the shares to arrive the NSCC rep will inform the buyer’s rep that this is not possible as per our rules because you have to tender that bag of coins by midnight of T+3 as you previously agreed to. This seems like a bit of a double standard but the buyer’s rep will get nowhere by arguing the point because he is operating on the NSCC’s turf and thus he is forced to relinquish his bag of coins to this “central counterparty” known as the NSCC. Make a mental note about this apparent injustice and the leap of faith taken that the NSCC will indeed act in good faith **AFTER** the buyer’s rep was forced into making this rather odd concession. **As in many types of frauds once the money is in the hands of the seller the incentive to deliver that which was sold disappears.**

The NSCC rep will tell the buyer or his rep to just hand him the bag of coins and he’ll make sure that the seller (“eventually”) delivers the NSCC the missing shares in exchange for the bag of coins so that the NSCC can dutifully forward them on to the investors brokerage firm. After all, that’s the job of a “central counterparty” in a clearance and settlement system utilizing the legal doctrine of “novation”. Trust me, says the NSCC rep, I realize that you made a concession but I’ll protect your interests by rigorously “safeguarding” your perhaps retirement plan money! Note that the NSCC rep fell short of stating that the seller of shares will not be allowed to touch a penny of the money until he makes delivery but the implication is certainly there.

In slow motion note that the “good form delivery” of shares just got DISCONNECTED from the “payment” for shares and the congressionally mandated “delivery versus payment” of securities to accomplish the “prompt settlement” of all securities transactions as per Section 17 A of the ’34 Act was illegally circumvented. Somewhere along the line the “prompt delivery in good form” of the securities purchased leading to the “prompt settlement” of the trade gave way to the “eventual delivery” in any old form leading to the “eventual settlement” of the trade.

I guess that's OK **depending on what happens in the interim period to the buyer's money.** This paper is all about what happens at the NSCC in this "interim period" between the already missed "settlement date" and the date when the shares sold are finally delivered. This time period is when the NSCC promised to perform this rigorous "safeguarding" process.

By way of review we've now seen the rather odd "discharging" of an employer's delivery obligations to a U.S. citizen by its own employees and the "NSCC two step" followed by substituting yet another "promise" associated with the rigorous "safeguarding" of the investor's funds UNTIL delivery is finally accomplished. Recall that the original "contract" to deliver the securities sold by T+3 went unfulfilled. Soon we'll see how the promise to rigorously "safeguard" the investor's funds until delivery is achieved will meet the same fate. Note that there was no formal timeframe given for the fulfilling of this second promise. That's rather problematic. The "implied" timeframe has to do with the congressional mandate to "promptly settle" all trades i.e. T+3 plus perhaps a 2 or 3-day allowance for truly "legitimate" delays in delivery.

What was essentially "delivered" by the NSCC was a "trust me" and a promise to safeguard the money of the investor. A fiduciary duty of care was born owing to the purchaser of the yet to be delivered shares. The NSCC rep will then tell the buyer's rep to look out for a monthly brokerage statement confirming that the trade "settled". This will help ease your mind!

Sure enough the buyer will soon receive a monthly brokerage statement "implying" that the heretofore missing shares that were purchased were indeed "delivered in good form" and are now being "held long" by his brokerage firm. The buyer then assumes that the seller's rep did finally show up after the traffic jam was relieved and that all is good. The investor on the buy end of this transaction has been hoodwinked into believing that the securities purchased had finally landed.

The average investor in the U.S. knows nothing about the extremely easy to abuse legal concept of "novation", what "securities held long" really means, the secret "discharging" of a debt owed to him by the employees of the debtor, etc. Wall Street has a level of complexity to it that hides these abuses. That's why there are highly-trained and "unconflicted" regulators and SROs rigorously patrolling for abuses in order to provide investor protection and market integrity (yeah right). Wait a minute, the NSCC facilitating and then later covering up these thefts is an "SRO" serving as what the SEC refers to as "the first line of defense against market abuses".

Above we mentioned that accepting the word of the NSCC was all well and good **depending on what happens to the buyer's money in this critical interim period before "delivery" does occur.** The average investor is probably picturing his funds in a vault or perhaps in an interest earning money market account. The NSCC rep failed to inform the buyer's rep as to just how that "bag of coins" was going to be rigorously "safeguarded" by this particular self-regulatory organization (SRO)/"securities cop"/"first

line of defense” in this interim period between the already breached “settlement date” and the date that the shares were finally delivered if at all.

Unbeknownst to investors, in addition to that “delivery versus payment” room that the purchaser of shares or his rep got to see the NSCC also has “collateralization versus payment” (CVP) rooms. These rooms house the “failures to deliver” (FTDs) during this critical interim period. In fact there is one CVP room for each of the 15,000 or so corporations whose trades are cleared at the NSCC. Remember that these CVP rooms are metaphorical as everything at the NSCC is now based upon the transmission of electronic book entries between an NSCC participant’s “cash” and “share” accounts. It’s been this way since the “paperwork crisis” of 1969 wherein Congress mandated the “immobilization” of paper-certificated securities in DTC vaults and the “dematerialization” of difficult to counterfeit paper-certificated shares into easy to counterfeit electronic book entries.

These 15,000 CVP rooms each have some rather exotic engineering concepts incorporated. The floor of the room is actually one side of a gigantic teeter totter that can be tipped downwards at various angles in relation to the level of the current share price of the involved corporation. In each room are thousands of tables; one for each delivery failure that might occur. The coins of each buyer of shares that never got delivery in the DVP room get emptied out onto one of the tabletops.

Since the “securities entitlements” resulting from the FTDs in our current clearance and settlement system are allowed to be readily sellable then the “weight” of these incredibly damaging “securities entitlements”/“accounting measures” causes the share price of the corporation involved and therefore the floor of the entire room to go down a notch. As the share price predictably drops from this upward **intentional manipulation** of the “supply” of readily sellable shares and/or readily sellable “securities entitlements” variable the pitch of the floor becomes steeper. Why “intentional”? Because you don’t forget to deliver that which you sell; you intentionally refuse to. Why “manipulation”? Because “share price manipulation” is the crime associated with intentionally altering the supply and demand variables in an effort to bring about a desired financial outcome.

The body of law that allowed the mere “securities entitlements” which were meant to be ultra-short termed “accounting measures” to denote a failed delivery obligation was UCC Article 8. The authors of UCC-8 knew that these mere “accounting measures” or “IOUs” would have a share price depressant effect because of being readily sellable like a legitimate share (which they aren’t) but they rolled the dice and decided that since they were only of an ultra-short termed lifespan the share price depressant effect would be minimal. They knew that the SRO known as the NSCC had 15 separate responsibilities/mandates to buy-in any “securities entitlement” once it became obvious that the seller of shares leading to the FTD had no intent to ever deliver that which it sold. They were also comforted by the fact that the SEC had a congressional mandate to provide “investor protection and market integrity”.

The authors of UCC-8 in their wildest dreams wouldn't have believed that the NSCC management would have the audacity to shirk all 15 of those responsibilities/mandates just to look after the financial interests of their abusive owners/participants/bosses. They also didn't foresee that the SEC would become a regulator "captured" by the financial interests of those that it was supposed to be regulating. Mental note #3 is that the readily sellable nature of the "securities entitlements" resulting from FTDs is totally undermined by the SEC's and NSCC's absolute refusal to execute buy-ins when needed.

Once again we see a widening of the flood gates inviting abusive naked short selling frauds. In hindsight "securities entitlements" should have been restricted from resale UNTIL delivery of the missing shares was made otherwise fraudsters would predictably establish massive naked short positions and systematically wipe out any U.S. corporation they targeted for an attack. All they had to do was to rely on the NSCC management/"straw man" to pretend to be "powerless" to execute buy-ins. This would result in the investment funds of less financially-sophisticated investors flowing into the wallets of the more financially-sophisticated "participants" of the NSCC and their hedge fund "guests".

In abusive naked short selling (ANSS) frauds the "supply" and "demand" variables of the market still interact to determine share price through a process known as "price discovery" but the presence of these "extra" readily sellable "securities entitlements" resulting from FTDs artificially increases the "supply" variable leading to an artificially depressed share price during this presumed ultra short term "interim" period. Later we'll see how abusive NSCC participants become heavily financially incentivised to extend this presumed 2 to 3-day "interim period" for months if not years at a time.

Each table in these secretive "CVP rooms" has a "sponsor". It is the party that failed delivery of the securities purchased by failing to show up in the DVP room by "settlement date". These are the guys that the NSCC rep claimed got held up in traffic. The "sponsor" of any table is not allowed to touch the stack of coins on any of the tables he sponsors UNLESS some coins "voluntarily" slide off of the table and onto the floor. This only occurs when the angle of the floor and tables assume a certain downward slope associated with a drop in share price. The accumulation of the "securities entitlements" resulting from the FTDs provides this predictable drop in share price. Note the self-fulfilling prophecy; you merely refuse to deliver that which you sell and the investor's money automatically flows into your wallet.

Up until the coins "voluntarily" slide off of the table the coins must be left untouched because they "collateralize" (the "C" in CVP) the monetary amount of the failed delivery obligation. If the pitch of the floor which is proportional to the share price of the corporation involved assumes an angle such that coins start to slide off then each "sponsor" gets to collect the coins that fell off of one of his tables even though he continues to refuse to deliver that which he sold. This is what happens in that interim period between "settlement date" and the "eventual" delivery date of that which was sold. This is how the NSCC "safeguards" the funds of the purchasers of yet to be delivered shares. Remember that special promise the NSCC made in exchange for the investor

leaving his bag of coins without receiving delivery of that which was promised to be delivered by “settlement date”.

As more and more of the parties selling (nonexistent) “shares” refuse to deliver that which they sold then the share price being manipulated downwards causes the floor to tip lower and lower. This causes yet more of the coins on the various tables to slide off. In fact the floors in some corporations’ CVP rooms are so tilted right now that this corporation and any investment made therein have pretty much been preordained to die an early death. Will the NSCC pre-warn U.S. investors as to which corporations fall into this category? Of course not, that would be tantamount to pleading guilty to facilitating all of these thefts.

Note that in this “zero sum game” the investor’s losses match to a penny the “sponsor’s” gain despite the fact that the “sponsor” continues to refuse to deliver that which it sold. In the CVP room all you’re asked to do is to collateralize the monetary value of the failed delivery obligation on a daily marked to market basis and as the share price drops **so too do the collateralization requirements.** Keep in mind that this is what’s happening to the money of the party fulfilling his side of the original buy-sell contract. It’s being shunted into the wallet of the party that failed to keep up his half of the bargain. This is NSCC “safeguarding” at its best.

The money falling onto the floor and being swept into the “sponsor’s” wallets represent the lessening of the collateralization requirements associated with dropping share prices. The dropping share prices in turn are associated with the invisible accumulation of readily sellable “securities entitlements” (procreated by FTDs) within the share structure of corporations under one of these “bear raid” attacks. So much for the “safeguarding” of the bag of coins during this critical interim period in between the “settlement date” of the transaction and the date that “delivery” is finally made.

It’s curious that the NSCC, a “securities cop”, will not pre-warn prospective investors as to the current angle of tilt of any particular corporation’s CVP room floor. In fact the NSCC would just as soon not have investors even know about these specially-designed CVP rooms. Why? Because this would give away the corrupt nature of our DTCC-administered clearance and settlement system illegally being based on mere CVP instead of DVP. The “securities held long” entry on an investor’s monthly brokerage statement also appears to be meant to defer any unwanted attention from what occurs during these interim periods.

Apparently the term “securities held long” that an investor reads on his monthly brokerage statement is “NSCC-speak” for the investor’s coins that are sliding off of a table in a room with a floor that keeps tipping lower and lower. Perhaps they’re really “long” tables that are “secured” firmly to the floor.

What do you have to do to “sponsor” one of these tables because the whole concept looks pretty darn lucrative? It’s easy, you just refuse to deliver that which you sell then you become a “sponsor” automatically. The NSCC does all of the heavy lifting involved in

the design and lubrication of the teeter totters and the delivering of the investor's coins to the correct table. They'll also allow their participants to use that misrepresentative "securities held long" phraseology to help cover up the existence of these CVP rooms. In fact they're even willing to pretend to be "powerless" to buy-in these delivery failures which they have all of the power in the world as well as the congressional mandate to buy-in.

The abusive NSCC participants know that if the NSCC pleads to be "powerless" to buy in these delivery failures then there is no other unconflicted party with that power so they have it made in the shade. There is one other party involved with the power to execute buy-ins of these FTDs and that is the brokerage firm of the investor that never got delivery of the shares. This party, however, has been financially incentivised NOT to execute buy-ins because if it opts NOT to execute a buy-in it receives the interest earnings from the coins sitting on the table during this critical interim period.

This NSCC "policy" encourages purchasing firms to intentionally aim buy orders to parties likely to fail in delivering that which they sell. Are there many of these parties around on Wall Street willing to act as "sponsors" allowed to mop up this easy to induce spillage? I would think so.

As you can now perhaps sense all NSCC participants are heavily financially incentivised to create and sustain as many "securities entitlements" as possible. They are heavily incentivised to artificially prolong these critical interim "safeguarding" periods in between "settlement date" and the "eventual" delivery of that which was purchased. In other words to intentionally stall the congressionally mandated "prompt settlement" of all securities transactions bestowed upon the NSCC. Can you see the battle lines being drawn between those owed these fiduciary duties of care for entrusting the NSCC with the bag of coins and those owing these fiduciary duties of care i.e. the conflicts of interest arising leading to an "us versus them" mindset?

Is "sponsorship" of a table expensive? No, the initial "collateralization" requirements except for about 2% are pretty much covered by the investor's coins. Are the returns associated with "sponsorship" fairly predictable? Yes, especially if a lot of your fellow NSCC "participants" and their hedge fund "guests" join in on these intentional refusals to deliver.

At the NSCC when you fail to deliver shares you are essentially granted "first dibs" on the easy to induce future spillage of coins from the tables you "sponsor". That's a trillion dollar financial incentive NOT to deliver that which you sell i.e. to intentionally push back that "eventual" delivery of that which you sell until the maximum amount of "spillage" can be induced and swept up.

Does the NSCC management actually think that the same abusive participants that keep failing delivery obligations actually get tied up in traffic jams and that's the reason for the FTDs? I kind of doubt it. What kind of a securities cop promising to "safeguard" an investor's funds during this critical "interim" period would plead to be "powerless" to do

the only thing possible when their abusive “participants” refuse to deliver that which they sell i.e. promptly buy-in the debt? It would be a “securities cop” and an SRO that is “captured” by the financial interests of its abusive bosses/participants.

What kind of a “safeguarder” of an investor’s funds would have policies that financially incentivise its participants to refuse to make delivery by allowing them access to this intentional “spillage” of an investor’s funds? I thought we had a deal; the investor would leave his bag of coins in exchange for this NSCC/SRO/securities cop “safeguarding” these funds UNTIL delivery occurred. The definition of “safeguard” has apparently been morphed into “to facilitate the theft of”.

Refusing to buy-in delivery failures after placing these coins onto a table in a CVP room with a “tiltable” floor would hardly qualify as an act of “safeguarding”. This is especially true when the financial beneficiaries of this easy to induce spillage are the owners of this NSCC/SRO/securities cop and their hedge fund “guests”.

There is another very secret floor at the DTCC where even the DTCC and NSCC management are not allowed to go. This is referred to as the “ex-clearing arrangements” floor. This “floor” actually occurs on the books of the various NSCC participating clearing firms. CVP is also the rule used here but on a much larger sale. There are also tables, tilting floors and investors’ coins present here.

The main difference here is that instead of the NSCC pretending to be “powerless” to buy-in delivery failures the individual NSCC participating clearing firms enter into informal “arrangements” NOT to buy-in the delivery failures of its fellow NSCC participants. The result is the massive accumulations of incredibly damaging “securities entitlements” resulting from the associated FTDs and the share price depression it induces.

The NSCC management does not even want to know what goes on in these “arrangements”. This is rather odd because as an SRO (Self Regulatory Organization) it is mandated to create and enforce rules and regulations associated with the “business conduct” of its participants but instead it curiously pleads to be “powerless” to regulate the “business conduct” of its abusive participants entering into these “arrangements” designed to shunt the funds of investors into the wallets of those “sponsoring” these failed delivery obligations.

Note that the unknowing investor’s money is going to continue to sit on that table in the CVP room UNTIL delivery is made. Who in the world is going to VOLUNTARILY make delivery and give up its rights to this easy to induce spillage?

The reality is that the only cure to these thefts is to promptly and forcibly buy-in the delivery failures of abusive DTCC participants when it becomes obvious that they never did intend to deliver that which they sold. Again, they won’t do it voluntarily. They’d be crazy to when the NSCC is handing out free investor money to its owners and their

“guests”. Often all those refusing delivery really wanted to do is to “sponsor” hundreds of tables.

When the NSCC clearly empowered to execute these buy-ins via 15 separate mandates/responsibilities pleads to be “powerless” to do so and when individual NSCC participants enter into secretive ex-clearing “arrangements” agree not to do so then the funds of U.S. investors will be predictably shunted into the wallets of those “sponsoring” these failed delivery obligations.

GAINING ACCESS TO THESE CVP ROOMS AND TABLE “SPONSORSHIP”

Who is allowed access to this easy to induce spillage of investor funds associated with this table “sponsorship”? First of all, you either have to be an NSCC “participant” or a “guest” of an NSCC participant. What does it take to become a “guest” of an NSCC participant? You need to have the critical mass or “juice” to be able to provide an NSCC participant with what it desires. Their main desire is “order flow” which they convert into cash as well as things like front-running possibilities. Currently hedge funds selectively direct an average of \$11.2 billion annually to the NSCC “participants” willing to bend or break the largest amount of rules on behalf of the financial interests of the hedge fund manager.

Can the average investor gain access to this easy to induce spillage? No, not unless investors coalesce themselves into an entity large enough to provide order flow or “juice” to those NSCC participants willing to swap this “juice” for the key to the CVP room. The most popular way is to join others and invest in a hedge fund. A hedge fund manager can provide enough order flow to NSCC participants in order to gain access to these special CVP rooms and this easy to induce spillage of investor funds.

Have you ever wondered why already ultra-wealthy investors choose to pay their hedge fund managers onerous fees like 2% of dollars under management and 20% of all profits i.e. “2 and 20”? Shouldn’t they get cheaper rates associated with volume discounts like in other businesses? The reason is that this so happens to be the “going rate” for gaining access to this easy to induce spillage occurring in these CVP and “ex-clearing” rooms and it’s worth every penny of the price of admission. It’s the price needing to be paid for table “sponsorship”.

Why so expensive? It’s because you’re gaining access to essentially free money i.e. the money of the unknowing investors whose transactions resulted in failures to deliver that the NSCC pleads “powerless” to buy-in or the NSCC individual participants have made “arrangements” not to buy-in. These are those naïve investors silly enough to believe what the NSCC rep promised to them in the “DVP room” and what their monthly brokerage statements “imply” to them i.e. that the traffic jam was relieved and that their shares arrived and also that their brokerage firm is indeed “holding them long”.

Why are investors silly enough to entrust their money with the NSCC in that DVP room before the party obligated to deliver shares shows up? It’s because the NSCC reminds

them that they voluntarily entered into a contract to pay for the purchased shares by “settlement date” and they’re holding them to that promise despite the fact that the selling party didn’t fulfill his half of the contract. Do you think it has something to do with the fact that the selling party refusing to fulfill his half of the contract happens to be a co-owner of the NSCC?

The biggest question needing to be answered is why would the NSCC with the Section 17 A ('34 Act) congressional mandate to “promptly settle” all transactions i.e. make sure that “delivery versus payment” occurs “promptly” be allowed to have policies that financially incentivise their participants to NEVER deliver that which they sell?

Of particular significance in this crime wave is the fact that the spillage flowing into the crooks’ wallets can be deployed right back into the market to establish and collateralize that many more FTDs/“table sponsorships”. This incredibly powerful “self-generated leverage” can actually make the share price decline accelerate as it heads towards zero. Without unconflicted “securities cops” you can’t stop a freight train running on self-generated leverage.

In this corrupt clearance and settlement system we now have in the U.S. which market participants have the best opportunity to abuse these corrupt DTCC policies? By far and away it is the abusive market makers illegally accessing the universally abused exemption from pre-borrowing or making “locates” of shares before making admittedly naked short sales. They have a straight shot at the CVP rooms without ever stopping at the DVP rooms. Unregulated hedge funds are more than willing to direct order flow to any abusive market maker willing to illegally rent out space under this “umbrella of immunity” from making pre-borrows or “locates” supposedly accorded only to theoretically “bona fide” market makers.

With the exception of truly bona fide market makers the obvious solution to this crime wave is to not allow the sellers of shares to be able to sell them UNTIL those shares are in place and ready to be delivered on the previously contracted for “settlement date” of T+3.

My goal here is to present a model to help design solutions. For instance, I think we can all agree that the status quo is corrupt beyond imagination. One solution might be that the NSCC doesn’t get their hands on the money UNTIL delivery occurs. Their “safeguarding” of the investor’s cash was not very impressive. Let’s give the investors the option to wait out the theoretical traffic jam to keep his funds off of those CVP tables. Remember how incredibly easy it is to induce the spillage. All you need to do is refuse to deliver that which you sell. What could be easier?

This is synonymous with basically banning FTDs except perhaps those associated with truly bona fide market making. Why? It’s because the party with the power to buy them in pretends to be “powerless” to do so. If that’s the NSCC’s attitude then it’s obvious that “securities entitlements” can’t be allowed to form in the first place because the only way they can be addressed when the sellers of securities absolutely refuse to deliver that

which they sell is via forced buy-ins. The banning of FTDs in turn bans the procreation of incredibly damaging “securities entitlements”. This in turn blocks the share price depressant effect associated with the invisible accumulation of these “securities entitlements” in the share structures of corporations under attack.

This in turn makes those “securities entitlements” associated with truly bona fide market making activity to be less damaging. This in turn dissuades the targeting of corporations for these attacks in the first place because the “reward” temptation lessens and the “risk” increases. It is critical to block any access to “self-generated leverage” which is nearly impossible to stop when the party with the power and mandate to execute buy-ins refuses to do so in order to look after the financial interests of their abusive bosses/participants.

The congressionally mandated “prompt settlement” of all securities transactions has nothing to do with deliveries “eventually” happening after many rounds of spillage are induced. The real killer of corporations is the time factor in which those mere “securities entitlements” are allowed to depress share prices and thus spillage. Congress knew this when they mandated the “prompt” delivery of all shares sold which leads to the “prompt” settlement of trades.

THE ANATOMY OF A TRILLION DOLLAR HEIST

- 1) One must first of all remember that the DTCC is a private institution owned and operated mainly by the bankers on Wall Street and partially by the NASD and NYSE. Recent events on Wall Street have given us an appreciation for the actions and attitude of what are now collegially referred to as the Wall Street “banksters”. Their unconscionable actions even when under strict public scrutiny demonstrate their mindset that they’re above the law. Their political power has no equal. The more they steal from investors the more money they can donate to the politicians entrusted to regulate their activities through congressional oversight committees. Their salary demands in the midst of taxpayer bailouts and after willfully placing incomprehensible levels of systemic risk onto the shoulders of all U.S. citizens while driving their firms into insolvency is symptomatic of their arrogance. They just don’t get it!

Our DTCC-administered clearance and settlement system is the embodiment of the combined arrogance levels of all of these “banksters” that through the DTCC have been allowed to assimilate themselves into an entity with critical mass beyond comprehension. This organization reached the “too critical to fail” and “too big to fail” thresholds before the ink dried on their charter and boy were they ever aware of it.

In regards to the other owners of the DTCC, Harry Markopolous (of Bernie Madoff fame) recently got in front of Congress and told us about how corrupt “FINRA” is. “FINRA” which is also a private institution represents the amalgamation of the regulatory bodies of the NYSE and the NASD the co-owners of the DTCC along with the “banksters”. The “captured” nature of the SEC and

the “revolving door” from the SEC to the much higher paying jobs on Wall Street accessible to SEC employees that don’t “rock the boat” and disturb the status quo on Wall Street is now common knowledge. What a recipe for a rip off!

With these realities in mind none of the methodologies implemented in regards to the abusive naked short selling (ANSS) crimes being committed in the critical time period in between “settlement date” and the date when delivery of previously failed to be delivered shares finally occurs (if ever) should be that surprising. Wall Street has become one gigantic conflict of interest-riddled cesspool operating in a regulatory vacuum. In regards to abusive naked short selling (ANSS) crimes its epicenter is irrefutably the bankster-infested Depository Trust and Clearing Corporation or “DTCC”.

In this paper I want to take a “granular” approach to highlight “How” the “banksters” have hijacked the clearance and settlement system within the U.S. Mark Mitchell’s 2/3/09 DeepCapture.com expose on Madoff, the mafia and Milken addressed the “Who” is committing these crimes. This paper will review the “How”.

- 2) The first thing that the administrators of a privately owned clearance and settlement system grossly “rigged” in favor of the owners/”participants” of the system over the U.S. investors participating in the system is to solicit participation through instilling confidence. You need pockets to pick. The NSCC subdivision of the DTCC does this through issuing and advertising their “trade settlement guarantee”. With the theme song to “Jaws” playing in the background and dorsal fins visible everywhere the NSCC advises: “Jump on in the waters are safe, we “guarantee” that the securities you purchase will (“eventually”) be delivered to you” (unless of course the corporation whose shares you purchased should die an untimely but meticulously planned death before “eventually” occurs).
- 3) In a crime wave predicated on something as obvious as refusing to deliver that which you sell in order to steal the money of less financially-sophisticated investors you need a sufficient level of complexity in order to leverage your superior financial sophistication. Our clearance and settlement system has plenty of that although actually when you break it down into easily digested morsels the similarities to other types of frauds literally jumps out at you.
- 4) You also need plenty of plausible deniability within reach. You need to be able to posit excuses. Why can’t investors see the levels of FTDs present within a corporation before they invest in it; after all this is extremely “material” information that the ’33 Act mandates the disclosure of? The answer according to the DTCC is that this information might reveal the “proprietary trading methodologies” of hedge funds and market participants. A follow up question: But what if the “proprietary trading methodology” of a certain hedge fund or market maker is to sell nonexistent shares all day long and never deliver that which is sold? Follow up answer: No comment.
- 5) Notice also the need for darkness in committing crimes this obvious. The DTCC as well as the unregulated hedge funds operating in these waters are absolutely

- secrecy-obsessed. There are layers upon layers of darkness which might explain the NSCC participants all wearing night vision goggles.
- 6) Another thing you need is the ability to “spin”. “Abusive naked short selling (ANSS) is actually a very good thing in that it adds “liquidity” to the markets of especially thinly-traded securities”. The question then arises as to when exactly does the injection of this wonderful “liquidity” become the intentional “drowning” of U.S. corporations and the investments made therein in order to cash in on previously established enormous naked short positions. Another favorite spin: “we abusive naked short sellers are actually acting as “investor advocates”. We intentionally destroy “scammy” corporations so that naïve investors don’t get taken in by the scam”. Yet another question arises: Since when do “investor advocates” sell securities to investors and then refuse to deliver what they sold to them so that they can funnel the funds of these investors into their own wallets?
 - 7) The ability to deny the obvious then becomes of paramount importance. Despite the reams of information accessible by the investing world revealing the pandemic nature of these frauds the DTCC to this day still has the audacity to posit that “99% of all trades settle on time and the vast majority of the other 1% settle within 5 days thereafter”. It kind of makes you wonder why the SEC stated that the number of unaddressed FTDs in our clearance and settlement system right now is so large that they can’t address them without inducing severe “market volatility” issues. So who’s lying, the DTCC or the SEC? This was the explanation of why the preexisting FTDs at the time Reg SHO became effective needed to be “grandfathered-in”. In other words the critical time period between “settlement date” and the “eventual” date of delivery needed to be emergently extended even further than it previously had been illegally extended. Note that Rule 15c6-1 of the ’34 Act expressly forbids the artificial extension of “settlement date”.
 - 8) The undated “trade settlement guarantee” issued to the world by the NSCC theoretically “guarantees” to the purchasers of stock that they will receive delivery of that which they bought and it “guarantees” to the sellers of stock that they will receive payment for their sale. Delivery by when? Delivery of what-legitimate shares or IOUs? The implied timeframe for this “trade settlement guarantee” is “settlement date” or trade date plus 3 days (“T+3”). Note that the “official” timeframe within which this confidence inspiring “guarantee” can be exercised is a bit fuzzy unlike other warranties or guarantees in the business world that specify the exact terms of the guarantee. This approach by the NSCC is atypical and soon you’ll learn why it is this way.

Unfortunately “fuzzy” guarantees invite abuses by the guarantors. One “excuse”/source of plausible deniability for why the “trade settlement guarantee” is “fuzzy” is because there are indeed legitimate reasons for ultra short term delays in delivery and these need to be accommodated for. Due to this reality the goal of abusive naked short selling fraudsters becomes to make their “intentional/strategic” (Dr. Leslie Boni 2004) delivery failures done to intentionally manipulate share prices lower appear to be “legitimate” in nature.

- As the doors of the NSCC swing shut after a “legitimate” delivery delay enters an opportunity for fraudsters to sneak their foot in to block the door from closing can be seized by fraudulent naked short sellers. The key is for the fraudsters to get their “illegitimate/intentional” FTDs into the safe confines of the NSCC because they can count on NSCC management to nurture and prevent their being bought-in from that day forward. This then accesses the NSCC’s “default assumption” described in #18 below.
- 9) When shares are not delivered by the T+3 “settlement date” a “failure to deliver” (FTD) occurs. It is how an FTD is treated by the NSCC in the critical interim period between “settlement date” (T+3) and the “eventual” date of delivery that will tell you if the clearance and settlement system is “rigged” in favor of its owners/administrators over investors or not. It will also reveal whether or not any “trade settlement guarantee” is bona fide or bogus.
 - 10) An FTD to an investor or to a corporation under attack is a very big deal; it is an emergency needing to be tended to quickly via a “buy-in” of the missing shares. Why? It’s because the “securities entitlements” resulting from FTDs are very dilutive. Why? Because they are allowed by UCC Article-8 to be readily sellable as if they were legitimate “shares” which they are not. They were meant to be ultra short termed “accounting measures” denoting a LEGITIMATE failed delivery obligation. They are as dilutive as a real share that is “outstanding”. As we’ll see soon one FTD can propagate an entire daisy chain of FTDs whose combined age could be many, many years. This occurs when investors unknowingly sell “shares”/IOUs that never got delivered. This is typically done to minimize the losses the investor is incurring from all of these fraudulent sales that predictably drive share prices downwards. Unless bought-in under a “guaranteed delivery” basis an FTD will live on into perpetuity.
 - 11) In an “unrigged” clearance and settlement system with integrity the timing of this mandated “buy-in” for “intentional/strategic” FTDs once detected would obviously be based upon the earliest date at which it becomes apparent that the seller never did intend to deliver that which it sold. I would suggest either T+5 or T+6 to accommodate for the truly “legitimate” delays in making delivery.
 - 12) To an abusive “participant” of a corrupt clearance and settlement system an FTD is a welcome sight as it provides the foundation to route an unknowing investor’s funds into the wallets of those with a vastly superior knowledge of how clearance and settlement systems operate. Besides all of the “securities entitlements” resulting from FTDs since they are readily sellable provide that many more opportunities for buy and sell commissions and rental income. Every single DTCC participant choosing to abuse the role in our clearance and settlement system that he was “entrusted” to perform can make an absolute fortune by intentionally flooding the share structures of corporations with these readily sellable “securities entitlements” within this “regulatory vacuum” provided for them by corrupt SROs and “captured” regulators.
 - 13) These differing outlooks on FTDs set up a conflict of interest in between U.S. investors and the administrators/owners/”participants” of the clearance and

- settlement system that owe these investors a fiduciary duty of care as their “agents” taking commissions.
- 14) In abusive naked short selling (ANSS) a strange phenomenon occurs in which the mere method of placing the negative bet against a corporation i.e. by refusing to deliver that which is sold automatically changes the prognosis for the success of the negative bet because of the share price depressant effect of the readily sellable “securities entitlements” procreated. Why? Because they’re readily sellable as per UCC-8. A self-fulfilling prophecy is accessible if you just do enough of it.
 - 15) Although it is important to count all votes cast whether voting that the share price is too low by assuming “long” positions or too high by assuming “short” positions abusive naked short selling allows the “stuffing” of the ballot box with a potentially infinite number of negative votes.
 - 16) In legal naked short selling involving a “borrow” the cost of the “borrow” factors in to provide detectable “risk” but in ANSS there is no cost to the borrow because there is no borrow. The cost of the borrow is a “natural” market deterrent to abuses because the cost becomes more expensive if there are already a large number of shares rented out to other short sellers. Why? Because there are a finite number of legally borrowable shares in any corporation’s share structure.
 - 17) Since the abusive NSCC participants and their hedge fund “guests” are the financial beneficiaries of these intentional thefts of investor funds then the NSCC management’s attitude to a delivery failure is fittingly that FTDs are no big deal. It’s as if the deliverer of the missing shares is automatically assumed to have been innocently held up in traffic and will probably arrive on T+4 or so AFTER the FTD has found safe refuge at the NSCC.
 - 18) The default assumption at the NSCC is this: All delivery failures are of a legitimate nature until proven otherwise. The trouble for investors and U.S corporations is that once “proven otherwise” (via the continued refusal to deliver that which was sold) it’s too late because the NSCC will pretend to be “powerless” to do anything about “illegitimate” FTDs. This is where the “safe refuge” comes from. If midnight of T+3 passes without delivery being accomplished then the champagne bottles get uncorked by abusive DTCC participants and their hedge fund co-conspirators because that FTD has made it to the “Promised land”. The DTCC argument of being “powerless” to address even archaic FTDs is proffered despite the 15 separate responsibilities/mandates that they have that clearly empowers them to execute buy-ins when their abusive participants absolutely refuse to deliver that which they sold. (See Schedule A) As Dr. Rob Shapiro, the former Undersecretary of Commerce in the Clinton administration’s research reveals the NSCC management voluntarily “chooses” not to execute buy-ins.
 - 19) This predictable “attitude” of the NSCC once “illegitimate” FTDs arrive at the NSCC then opens the floodgates for abusive NSCC “participants” to establish and maintain massive naked short positions and systematically bankrupt any corporations that they have targeted for destruction. Bankruptcy would then allow 100% of the funds invested in that corporation to flow to those refusing to deliver that which they sold.

- 20) The main “risk” associated with abusive naked short selling is that of being bought-in during a “short squeeze”. The NSCC’s “attitude” all but removes that risk. Recall the research of Evans, Geczy, Musto and Reed (2002) revealing that only one-eighth of 1% of even “mandated” buy-ins on Wall Street are ever executed. With the “risk” being removed this leaves only the “reward” in the risk/reward analyses that even “banksters”, market makers and hedge fund managers must make.
- 21) In reality, the fear of an untimely (in the midst of a short squeeze) buy-in is the one truly meaningful deterrent to abusive naked short selling crimes that is “natural” to the securities markets. Even the “natural” market deterrents to abusive naked short selling frauds have been surgically excised by the NSCC which operates as an SRO (self-regulatory organization) theoretically acting as “the first line of defense against fraudulent behavior”. These are the “securities cops” perpetrating and facilitating these frauds for crying out loud! Where is the “internal affairs” division?
- 22) When the “first line of defense” has turned around and have their rifles aimed at those investors they are theoretically defending in order to accommodate the financial interests of their own abusive bosses/participants (not their ethical participants) then I’d say we have some “issues” to address in regards to markets “rigged” against investors and in favor of those that own and administer the clearance and settlement system.
- 23) Thus the “owners” of this “first line of defense” (the NSCC “participants”) and their hedge fund “guests” become the financial beneficiaries of these thefts being committed not only in the absence of no remaining “first line of defense” but from an investor’s reference point in the presence of a hostile enemy. It is one thing for a party to not provide the investor protection mandated of them by Congress but quite another to predictably reroute the funds of unknowing investors into their own wallets within this “regulatory vacuum” they created.
- 24) There is only one known cure when those that sell securities absolutely refuse to deliver that which they sell. It’s called a “buy-in”. The failed to be delivered shares are bought out of the open market under a “guaranteed delivery” basis and are sent to the original purchaser in a better late than never fashion and the bill is handed to the party refusing to deliver that which it sold. The concept is very simple. If criminals absolutely refuse to deliver that which they sold then they need to be forced by an unconflicted SRO or regulator to do so. **The refusal to do so would only serve to encourage these thefts. Note that the SROs, the DOJ, the regulators and congressional oversight committee members no longer have any safe middle ground to prevent any “rocking of the boat” that might disturb the corrupt status quo. They’re either addressing these thefts or encouraging them.** This is especially true when the refusal to deliver that which you sell automatically places the share price of the corporation under attack into a “death spiral” which in turn routes the funds of investors into the wallet of those that refuse to deliver that which they sell. This is not rocket science!
- 25) Note that at the NSCC the buyers of undelivered shares don’t have the option to hold off on paying UNTIL delivery occurs. A bit of a double standard? There is no “cash on delivery” option available. This policy would give away the

- existence of this entire fraudulent “industry within an industry” because investors could quickly realize that what they paid for never arrived. The obvious double standard must be in place to cover up the existence and pandemic nature of the original fraud.
- 26) The NSCC policy to investors is basically: “Give me your money now and we’ll “safeguard” it for you UNTIL this “presumed” ultra short term delay in delivery has transpired. After all, you entered into a contract to pay by T+3 and by law (Reg T) we can buy you in if you don’t pay now”. As mentioned, if delivery can be stalled until after midnight of T+3 then the crooks win. The fact that there are truly “legitimate” reasons for delivery delays provides cover for these frauds.
 - 27) The obvious reply of an investor FORCED to leave his funds without receiving what he paid for would be: “But, but, but....” except for the fact that the investor has no clue as to the fact that what he purchased never got delivered.
 - 28) Soon after an FTD occurs sure enough an investor receives a monthly brokerage statement “implying” that the securities purchased are being “held long” by their brokerage firm. This is a smokescreen because those “securities” never existed in the first place in the case of ANSS frauds. It is an intentional cover up to this fraud. A monthly brokerage statement not used as a tool of misrepresentation would have a “black box” warning stating that “securities held long” does not mean that you got delivery of that which you purchased. In order to make sure that you got delivery of that which you paid for you must demand delivery of the paper-certificated representation of the shares you purchased.
 - 29) The unknowing investor sitting on an FTD gets hoodwinked into believing that delivery did occur. He has been pacified and has no reason to delve deeper into whether or not that which he paid for had arrived. All he cares about is that whatever he did or did not receive is readily sellable when he wants to sell. He does not realize that he bought “damaged goods” and that the way his buy order was dealt with did damage to the prognosis for his investment as well as the prognosis for all other shareholders in that corporation. Again, we see the “bait and switch” nature of ANSS frauds.
 - 30) What’s actually being “held long” is a mere “accounting measure” denoting a failed delivery obligation that nobody seems to be empowered to address. What is an IOU worth if there is nobody “empowered” to honor it on your behalf and you don’t even know that you hold it? Shouldn’t the party advertising the “trade settlement guarantee” be on the hook for it on approximately T+6 or so? What is an undated “trade settlement guarantee” worth when the party holding it doesn’t know he holds it and should be calling it in? The intentionally misrepresentative monthly brokerage statement “implies” that even if there is an outstanding “trade settlement guarantee” then there was no need to call it in. Note that the NSCC has an excuse not to provide a date on the “trade settlement guarantee”. That’s because there are truly legitimate reasons for delivery delays. Isn’t that handy?
 - 31) The “Securities entitlements” resulting from FTDs are allowed by UCC-Article 8 to be readily sellable as if they were real shares. The presumption made by the authors of UCC-8 (*The American Law Institute and the National Conference of Commissioners on Uniform State Laws*) was that the NSCC would fulfill their congressional mandate to “promptly” execute “buy-ins” when it became obvious

- that the seller never did have any intent to ever deliver anything. You just don't "forget" for months at a time to deliver that which you sell.
- 32) Despite being empowered by 15 separate responsibilities/mandates to execute buy-ins (see Schedule A) when their abusive participants absolutely refuse to deliver that which they already "sold"/pawned off the NSCC has the audacity to proffer that they are "powerless" to buy-in the now proven to be "intentional/illegitimate" delivery failures of its abusive participants.
 - 33) Recall the "NSCC 2-step", the NSCC as the CCP "discharges" the delivery obligations of its "participant" in exchange for "assuming" and "executing" on this delivery obligation. After "assuming" this obligation then they turn around and plead to be "powerless" to do what is necessary to "execute" on the obligation i.e. buy-in the delivery failure when the abusive participant that sold the shares absolutely refuses to deliver that which it sold. Under which "shell" is the NSCC hiding the delivery obligation. Is it under the shell of the original seller that refuses delivery or is it under the shell of the NSCC proper? Here's where the NSCC will jump in and posit that there's a FTD on the books of the original seller. That wasn't the question. The question was where is the delivery obligation that can now only be met via a buy-in resting. There are no other options. As this trillion dollar "shell game" plays out the share price of the corporation targeted for destruction falls off of a cliff and the monetary value of the delivery obligation needing to be collateralized becomes zero and then all of a sudden the abusive NSCC participant that refused to make delivery resurfaces and offers to pay the nonexistent debt. In review, this confidence inspiring "trade settlement guarantee" that investors don't even know they can exercise can be postponed until AFTER the share price has been decimated and the delivery obligation approaches zero. I'd say there's a pretty good chance that an investor won't attempt to exercise any "trade settlement guarantee" that a monthly brokerage statement "implies" need not be exercised.
 - 34) If you liken abusive naked short selling (ANSS) frauds to "bait and switch" types of frauds then I suppose the "bait" is the advertising of the "trade settlement guarantee" and the confidence it inspires and the "switch" would be the damaged nature of the goods and the shifting of the delivery obligation from a party clearly on the hook to deliver that which it sold to its "alter ego" willing to plead "powerlessness". In reality they're the same party though.
 - 35) In regards to these mere "securities entitlements" resulting from FTDs being allowed to be readily sellable the investors being swindled would obviously proffer the argument: "The entire premise of allowing these incredibly damaging "securities entitlements" to be readily sellable was predicated upon you at the NSCC buying-in FTDs when it became obvious that your "participant" that sold these nonexistent "shares" never did have any intent to deliver anything". The predictable response by the NSCC management: No comment.
 - 36) The NSCC attitude towards FTDs is that its abusive NSCC participants need not worry about making delivery of that which they sold but that they should at least collateralize the monetary amount of the resultant debt obligation on a daily marked to market basis to lend a little bit of "legitimacy" to our operations. Note that the mere collateralization of this debt has nothing whatsoever to do with

- making “delivery” of that which was purchased which leads to the “settlement” of a trade. When the NSCC posits that 99% of all trades “settle” they mean to say that 99% of all failed delivery obligations are collateralized. Whether collateralized or not the investor still hasn’t received delivery of that which she or he thought they were purchasing. That which was sold never existed in the first place.
- 37) Note that there is indeed one other party besides the NSCC that is empowered to buy-in that delivery failure. The NSCC and DTC subdivisions of the DTCC have 15 of the 16 “empowerments” to buy-in delivery failures. The 16th “empowerment” belongs to the brokerage firm that bought the shares for its client. The NSCC has a very clever policy to deter this party from EVER executing a buy-in. This policy/bribe allows the purchasing brokerages that agree NOT to buy-in the FTDs of their clients buying securities to keep the interest earnings of their client’s money throughout the life of the delivery failure. They also get to apply the value of the failed delivery obligation to its all-important net capital reserves. Not only that but the client will never know that not only did he not get delivery of that which he bought but he’ll also never learn that in the mean time his money was earning interest for his brokerage firm that just took a commission while acting as the buyer’s “agent”. That’s some pretty heavy duty “encouragement” NEVER to execute a buy-in. What might the interest earnings off of \$10 billion worth of FTDs annualize out to?
- 38) The result of this is that all parties empowered to execute buy-ins are either pleading “powerless” to do so or have been financially incentivised NOT to execute a buy-in. All 16 “bases” are covered. This explains the research findings of Evans, Geczy, Musto and Reed revealing that only one-eighth of 1% of even “mandated” buy-ins ever occur. When you see research findings like that you have to know that there’s some pretty fancy footwork going on somewhere in the shadows. That’s why the DTCC has to operate as a secrecy-obsessed “black box”.
- 39) As the readily sellable “securities entitlements” invisibly pile up in the share structure of corporations targeted for destruction from all of this refusing to execute buy-ins and pretending to be “powerless” to do buy-ins then the share price predictably tanks.
- 40) As the share price tanks the collateralization requirements go down and the investor’s money gets routed into the wallets of those that continue to refuse to deliver that which they sell. The naïve investor doesn’t know that any of this was going on behind his back. He was silly enough to believe in what his monthly brokerage statement was “implying”.
- 41) This money stolen from the investor can then be redeployed back into the market to establish and collateralize that much larger of a naked short position.
- 42) This “self-generated leverage” then causes the share price of the company targeted for destruction to accelerate in its downward path. You have to keep in mind that a hedge fund manager with \$10 billion to invest and perhaps 5 or 6 times that amount borrowed from his “prime broker” is not exactly going to have much difficulty in merely “collateralizing” the monetary value of a fail delivery obligation which predictably lessens on a daily basis as the share price plunges

- downwards. That's the difference between delivering that which you sell and merely collateralizing the debt obligation. Only the "prompt delivery" of that sold leads to the "prompt settlement" of any securities trade mandated by Congress.
- 43) This easy to induce acceleration downwards in the share price then results in the unknowing investor's money flowing freely to those that continue to refuse to deliver that which they sold.
 - 44) Soon it is "game over" for the corporation, the investments made therein, the jobs it used to provide and the cancer cures and technological breakthroughs it would have provided.
 - 45) If bankruptcy is achieved then no capital gains are triggered as the "sell then buy" cycle never got completed. Thus the IRS can be added to the list of victims because those taking these losses are sure going to write them off but in the absence of any counterbalancing capital gain being taxed. Typically the stolen funds are headed offshore anyways.

The message that needs to get through to the regulators, their congressional overseers, the SROs, the DOJ and DTCC management is that **the refusal to execute buy-ins by you parties will only serve to encourage these thefts by the regulatory vacuum you've created. You people no longer have any safe middle ground to stand on in order to prevent any "rocking of the boat" that might disturb the corrupt status quo. You're either addressing these thefts via buy-ins or you're facilitating them.**