

Ms. Florence Harmon
Acting Secretary
Securities and Exchange Commission
100 F. Street, NE Washington, DC 20549-9303
Re: Release No. 34-58773; File No. 87-30-08 – Amendment to Regulation
SHO Interim Final Temporary Rule

Dear Sirs,

THE NSCC-THE “FORGIVING FRATERNITY”

Our DTCC administered clearance and settlement system utilizes a system involving the legal concept of “novation”. “Novation” means “to create anew”. Originally when a trade is executed in the U.S. the selling party owes the buying party the delivery of the securities it sold. During “novation” the delivery obligation of the selling party is “discharged” and the NSCC as the “central counterparty” (CCP) to the trade “assumes” this delivery obligation owed to the buyer and promises to “execute” on it “eventually” despite the fact that they have the congressional mandate to “promptly settle” all securities transactions.

After “novation” the original selling party now owes the NSCC (and no longer the party it sold the securities to) the delivery of that which it sold and the NSCC then promises as the CCP to forward those securities on to the buyer “eventually”. The difference in the timeframe between the congressionally mandated “prompt settlement” of securities transactions and the NSCC dictated “eventual” delivery of that which was sold serves to facilitate the multi-trillion dollar fraud know as abusive naked short selling or ANSS.

For 29 years I’ve been writing on how tricky “novation” can be especially if the selling party that might so choose to refuse to deliver that which it sold is a card carrying member and “co-owner” of the party that “assumed” the delivery obligation it recently “discharged” and promised to “execute” on i.e. a “participant” of the NSCC. If the CCP, the NSCC in this case, refuses to act in good faith in promptly “executing” the delivery obligation it just “assumed” then the financial system supported by that clearance and settlement system is in deep trouble. This is especially true should the larger banks that act as the pillars of support for the financial system become targeted by those orchestrating these NSCC-sponsored abusive naked short selling attacks.

In slow motion what happens in “novation” is that an NSCC “fraternity brother” sells securities to somebody half way around the world. Two seconds later it now owes the CCP (the NSCC) of which it is a “co-owner” the delivery of those shares. This NSCC also just so happens to act as the “fraternity headquarters” for the buying and selling brokerage firms that are co-owning “fraternity brothers”. The seller of securities all of a sudden now owes itself as a fraternity member and its fellow fraternity brothers the delivery of that which it just sold but refused to deliver.

The NSCC just so happens to qualify as an extremely “forgiving fraternity”. The headquarters of a “forgiving fraternity” says to its fraternity brother debtors now that your debt is owed to yourself and to your fraternity brothers you don’t necessarily have to deliver that which you sold previously as long as you at least collateralize the monetary amount of your failed delivery obligation. The clever part is that as all of these failures to deliver (FTDs) that give rise to readily sellable “securities entitlements” invisibly pile up in the share structure of the corporations targeted by fraternity brothers for destruction then the share price of the corporation predictably plummets. As the share price plummets so too do the fraternity imposed collateralization requirements. Why? Because they are “marked to market” on a daily basis based upon the current share price.

As the collateralization requirements plummet the money of the unknowing investor on the buy side of that trade involving a failure to deliver flows to the fraternity brother making the sale despite the fact that he still absolutely refuses to deliver that which it sold. In fact, in a clearance and settlement system administered by a “forgiving fraternity” that which was sold never needed to exist in the first place.

Now how clever is that? You sell something that doesn’t exist and two seconds later you owe the debt to yourself and your extremely forgiving fraternity brothers. As if by magic this then automatically results in the investment proceeds of the investor getting defrauded to flow into the wallet of the fraternity brother that just has to merely refuse to deliver that which he sold. But don’t you have to worry about the fraternity headquarters (this SRO known as the NSCC) forcing the fraternity brother making the sale to deliver that which he sold so that the headquarters can “execute” on the delivery obligations it just “assumed”? No, that’s part of the deal with a “forgiving fraternity”.

The fraternity headquarters (the NSCC management) will with 100% certainty pretend to be “powerless” to buy-in that debt even though it has all of the power in the world as well as the “prompt settlement” of securities transactions congressional mandate to do so. That’s all part of the “package”. In fact what’s really exciting is that when a fraternity brother absolutely refuses to deliver that which it sold the ONLY “cure” available is a “buy-in” and the fraternity headquarters thus refuses to implement the ONLY solution available. That’s one of the services of a “forgiving fraternity”.

Does the U.S. citizen that paid for the undelivered shares earn interest on his money during this period in time while he awaits the delivery of that which he paid for? No, it’s just the opposite. The fraternity brother he placed the buy order through gets to earn the interest off of his client’s funds while awaiting this NSCC-imposed “eventual” delivery.

How do you keep the buyer of shares from raising a ruckus when he doesn’t get delivery of that which he purchased? That’s also part of the “package”. All you do is have the “fraternity brother” that services his account credit his account with a readily sellable “securities entitlement”. The investor will never know the difference because whether or not that which you purchased ever got delivered the purchaser is still going to get a “securities held long” notation on his monthly brokerage statement “implying” that what

he purchased did indeed get delivered. If the investor doesn't know UCC Article-8 inside and out and know what a "securities entitlement" is or what the legal concept of "novation" entails then that's his problem.

But what about the SEC, aren't they going to address all of these thefts going on? The only thing you have to worry about with the SEC is to remember to tip-toe when you walk by the SEC building; otherwise you risk waking up somebody.

Another thing that is really helpful is that the "fraternity headquarters" is actually an SRO or "Self-Regulatory Organization" that is mandated to act as "the first line of defense against abusive naked short selling frauds" LIKE THE ONE THAT IT SPONSORS! Now how cool is that? The fraternity headquarters doubles as the police headquarters!

Wait, it gets even better. The "birth certificate" of the DTCC and its NSCC subdivision is Section 17 A of the '34 Exchange Act:

"Section 17A of the Exchange Act charges the Commission (SEC) with overseeing the national clearance and settlement system (the fraternity headquarters) **in accordance with the public interest and the protection of investors**".

The "foundation" of the "fraternity headquarters" was based upon them (the NSCC management) doing that which is "in accordance with the public interest and the protection of investors". The "foundation" of their very existence was to be based upon protecting those whose pockets they are picking! This very "foundation" clearly places "investor protection" over the financial interests of their NSCC fraternity brother "banksters" and their hedge fund "guests". In reality just the opposite occurs with this particular fox appointed to guard this particular hen house i.e. the investment funds of U.S citizens.

What's really neat for the securities fraudsters worldwide is to find a country like the U.S. with a "forgiving fraternity" administering its clearance and settlement system. This way criminals worldwide can SELECTIVELY target U.S. corporations, the investments made therein and the jobs they provide for destruction. So what if hundreds of thousands of Americans lose their jobs and their retirement funds in the process. Every war has collateral damages.

Do you know what's really cool? The criminals running this empire just conned the SEC into rescinding its 70-year old "uptick rule". Now they can induce panic selling and trip "stop loss" orders by knocking out bid after bid in a serial fashion to accelerate the drop in share prices needed to reduce the collateralization requirements needed to get the investor's money flowing freely to the fraternity brothers refusing to deliver that which they sell. Whoa, these guys got "juice"!

So how does one join this lucrative fraternity system? Typically only hedge funds have the "juice" needed to gain access to this fraternity system through one of the NSCC participating "fraternity brothers". The "juice" being paid is usually in the form of order

flow to one of the fraternity brothers active in the prime broker, market maker or clearing firm arenas. Collectively, the hedge fund community pays approximately \$11.2 billion annually in fees and commissions to the “fraternity brothers” willing to break the greatest amount of laws needed to accommodate the financial interests of the hedge fund managers.

Thus the NSCC participating “fraternity brothers” make their money not only from directly stealing from U.S. investors but also by facilitating the thievery of investor funds by their hedge fund brethren able to afford the cost of admission to the fraternity system. At the end of the day both parties’ efforts act in synergy to flood the shares of a corporation unfortunate enough to have been targeted for destruction with readily sellable “securities entitlements” resulting from the FTDs they created by simply refusing to deliver that which they sold.

The typically already ultra wealthy hedge fund investors can therefore indirectly gain admission into the fraternity system but they are forced to pay the rather steep price of “indirect admission” to the fraternity system of 2% of their funds under management and 20% of the profits earned or “2 and 20”. Although it seems to be rather onerous for investors committing this much capital it’s worth every penny in the long run as there is an awful lot of investor money out there to steal.

The net-net of this entire organized criminal fraternity system is that any brokerage firm/fraternity brother and its hedge fund clients are allowed to steal the investment funds of another fraternity brother’s clients in exchange for allowing this fraternity brother to steal the investment funds of its own clients. This “arrangement” is embodied by the mutual “understanding” never to buy-in the delivery failures of a fellow fraternity brother knowing that a buy-in is the only “cure” available when a seller of securities absolutely refuses to deliver that which he sold. This explains the research findings of Evans, Geczy, Musto and Reed (2003) showing that only one-eighth of 1% of even “mandated” buy-ins of the FTDs of “fraternity brothers” on Wall Street are ever executed.

The success of this meticulously-designed fraud hinges on the NSCC management’s pretending to be “powerless” to execute the buy-ins of its abusive “participant’s” delivery failures despite it being empowered to do so by 15 separate mandates/responsibilities it is supposed to be shouldering. See “Schedule A”. I can only imagine that when they finally get hauled in front of Congress or the DOJ the NSCC management will proffer that they had “no idea” that all of these thefts were occurring on their SRO watch.

Yet once again; “novation” is tricky if the CCP (NSCC) refuses to act in good faith and instead kowtows to the financial interests of its abusive participants instead of acting as the congressionally mandated “tool to provide investor protection” as inscribed on their very birth certificate. If there is a more cleverly-designed “fraud on the market” than that involving abusive naked short selling (ANSS) then I sure haven’t run into it yet.