

The Market Reform Movement's Number One Concern: Naked Short Selling/Failing to Deliver

Naked short selling occurs when a seller sells a share of stock, and fails to deliver it to the buyer.

Because of the way Wall Street has organized clearing (paying for stock and exchanging data) and settling (delivering the goods), sales transactions are processed as though every transaction has shares to be delivered. Three days after the transaction is done, delivery is due, but if the seller never had the shares in the first place, a “fail to deliver” (FTD) takes place – quite literally, the failure to deliver what the buyer paid for (stock), which in any other business would be called fraud.

The DTCC (the monopoly stock clearing and settling firm owned by the brokers) has, in its wisdom, decided to divorce clearing and settling, which creates the fail to deliver problem. Every other financial business has payment and delivery as simultaneous events, tied to one another – not Wall Street, where commissions and fees are all paid regardless of delivery of the product.

Naked Short Selling, which is the failing to deliver for the purpose of depressing a stock's price, is a large problem in the US stock market – how large, we don't know, as the SEC and the DTCC refuse to divulge any real data or explain the size and scope of the problem – for years the SEC said there was no problem, and then in 2005 they passed Regulation SHO to address what they then conceded was a problem, but not a large one. In its bowels, Reg SHO had a novel provision which was never in any of the drafts of the rule, and which never allowed any comment from the public – it “grandfathered” all prior FTDs to 2005, never requiring stock to be delivered.

Now, if you are thinking, “that's weird, the buyers all paid their cash for the shares, and the sellers defrauded them by not delivering (which has been illegal for 72 years), and the SEC has effectively allowed the bad guys to keep the money and

never deliver” – you are not alone. A public outcry ensued, starting small, and building throughout 2005, and culminating in the creation of the Market Reform Movement, and of TheSanityCheck.com website.

Contained herein you will find a host of resources to better understand the ongoing fraud that is being perpetrated by Wall Street against the investors of Main Street America. It is damning information, much of which has never been gathered together in one place before. A good starting point is the appropriately named [“Getting Started”](#) section, where a step by step “how to” guide has been assembled to make the information assimilation process easy. Take a few minutes to look it over and to review the materials, and soon you will have a good grasp upon what is viewed by many as the financial crisis of our lifetime, making the S&L crisis look like a flea on the back of an elephant. Sound exaggerated and alarmist? Read on, and decide for yourself. I guarantee that you will never look at your broker or Wall Street the same again.