

## SUMMARY PIECE ON ABUSIVE NAKED SHORT SELLING (ANSS)

- 1) Multi-billion dollar Wall Street firms and their co-conspiring multi-billion dollar unregulated hedge funds can easily target relatively defenseless U.S. corporations and cause the investment proceeds of the investors in those corporations to invisibly flow to these billionaire behemoths despite the fact that these behemoths absolutely refuse to deliver the (nonexistent) shares they sell to these unknowing U.S. investors.
- 2) This practice is referred to as “abusive naked short selling” or (ANSS) which is irrefutably a form of fraud.
- 3) Each time the seller of shares refuses to deliver that which he sold a “failure to deliver” (FTD) results. These FTDs result in the creation of readily sellable but incredibly damaging “securities entitlements” that look just like legitimate “shares” when referenced on the monthly brokerage statements of unknowing investors.
- 4) Although these “securities entitlements” are basically IOUs or “accounting measures” and they aren’t real “shares” of a corporation their being treated as being readily sellable makes them act like real “shares” whose price will be based upon “supply” and “demand” interactions. The invisible accumulation of these “securities entitlements” in the share structures of corporations will with 100% certainty drive the share price of the corporation down. The intentional driving down of share prices is referred to as “share price manipulation”. The sellers of securities don’t “forget” to deliver that which they sell; they intentionally refuse to deliver that which they sell.
- 5) The body of law that allowed these incredibly damaging “securities entitlements” to be readily sellable is referred to as UCC Article 8. It recognized that there are legitimate reasons for 2 or 3-day delays in delivery. To accommodate for these delays the “securities entitlements” resulting from FTDs were made freely trading because the damage done to share prices was thought to be minimized by the assumed ultra-short termed nature of the delivery delays involved. The assumption of the authors of UCC-8 was that the DTCC with 15 separate mandates/responsibilities clearly empowering them to execute buy-ins would act in good faith and quickly buy-in any FTD when it became obvious that there was no intent to ever deliver that which was sold. The authors of UCC-8 assumed wrong.
- 6) The drop in share price caused by the accumulation of these “securities entitlements” then financially rewards those that have established “naked short positions” via merely refusing to deliver that which they sell. The fraudulent nature of this behavior is obvious as the investors paying full retail price for these nonexistent shares thought they were buying legitimate shares of a corporation with voting and other rights attached. They too were wrong as mere “securities entitlements” have no rights attached. It is the individual rights within the “package of rights” known as a “share” of a corporation that gives a “share” of a corporation value. Mere “accounting measures” or IOUs have no such “package of rights” associated with them.

- 7) The DTCC-administered clearance and settlement system used in the U.S. unlike the clearance and settlement systems in almost every other country in the world unconscionably allows the seller of even nonexistent shares access to the funds of the investor getting hoodwinked even though they absolutely refuse to deliver that which they sold. All they are asked to do is to “collateralize” the monetary value of this failed delivery obligation. This is referred to as “collateralization versus payment” or “CVP” as opposed to the congressionally mandated “delivery versus payment” or “DVP” used in other countries.
- 8) One interesting aspect of these frauds is that a “self-generated leverage” becomes accessible as the money stolen from investors can then be used to amass and collateralize yet larger naked short positions that will accelerate the rate at which the share price drops. This leads to the “self-fulfilling prophecy” that once targeted for destruction and regardless of the company’s merits any U.S. corporation, the investments made therein and the employment opportunities it provides can easily be preordained to an early death.
- 9) These “securities entitlements” are damaging because they artificially inflate the sum of the “supply” of readily sellable real “shares” of a corporation PLUS the “supply” of readily sellable “securities entitlements”. “Supply” and “demand” still interact to determine share price through a process known as “price discovery” but the “supply” and “demand” variables can be manipulated.
- 10) Since those that refuse to deliver that which they sell need only “collateralize” these positions on a daily “marked to market” basis this intentional manipulation downwards of the share price unconscionably allows the funds of the investor that unknowingly paid real money for nothing but air to flow to the sellers of these nonexistent “share look alikes” despite the fact that they continue to refuse to deliver that which they sold to unknowing investors. The previously agreed to timeframe to deliver that which was sold was on “settlement date” which is 3 days after the trade date or “T+3”.
- 11) Over the years these “securities entitlements” have invisibly accumulated in the share structures of U.S. corporations targeted for one of these attacks. This has resulted in the intentional driving down of their share prices to artificially low levels well below where they would be trading without this fraudulent behavior.
- 12) There is only one solution available to remedy these frauds and that is to FORCE the parties refusing to deliver to finally deliver the missing shares by reaching into their wallets and taking out the money stolen from investors and buying the equivalent amount of shares they had naked short sold out of the open market. Then they must finally deliver the missing shares to their rightful owner in a “better late than never” fashion.
- 13) The problem is that those that refuse to deliver that which they sell belong to a “fraternity-like” organization referred to as the DTCC. Through a variety of complex interactions and relationships the only people on Wall Street with the legal power to execute these “buy-ins” is the management of the DTCC and two of their subdivisions but they refuse to financially harm their bosses by executing these buy-ins. Instead they curiously plead to be “powerless” to execute buy-ins even though they have all of the power in the world as well as the congressional mandate to do so.

- 14) This “attitude” of the DTCC management has resulted in the ability of abusive DTCC “participants”/fraternity brothers to target any U.S. corporation for destruction no matter how critical it is to our overall financial system or homeland security.
- 15) The victims of these frauds include not only the investors in the corporation losing their investment income but they include the employees of these corporations losing their jobs as well as those U.S. citizens that may have benefitted from the cancer cures or technological innovations that this corporation could have been providing.
- 16) Currently we are in a bit of a “stalemate” in that all of the incredibly damaging “securities entitlements” that have accumulated in the share structures of these corporations are actively forcing the share price of these corporations downwards as we speak while the DTCC management continues to plead to be “powerless” to do anything about it.
- 17) Due to the fraudulent nature of this behavior the DTCC management as well as the SEC refuse to warn prospective investors of the amount of “securities entitlements” currently in existence in any particular U.S. corporation’s share structure as this would be tantamount to admitting to the fraud. U.S. investors have thus been relegated to be buying a “pig in a poke” while investing in our markets.
- 18) The 1933 Securities Act also known as “The Disclosure Act” specifies that all risks “material” to the prognosis for an investment in a corporation must be disclosed to the investing public. There can be no information more “material” to the prognosis for an investment than knowing whether or not a corporation has so many incredibly damaging “securities entitlements” hidden in its share structure that it has been essentially preordained to die an early death. Yet both the DTCC and the SEC which by the way is mandated by Congress to enforce the ’33 Act refuse to disclose this information evidentiary of massive levels of fraud.
- 19) To exacerbate the situation the SEC mandated to oversee the activities of the DTCC refuses to order the DTCC to follow up on their congressional mandate to do whatever is necessary to make sure that all securities transactions “promptly settle”. “Settlement” necessitates the delivery of that which was sold in exchange for the purchaser’s money. When the seller of (nonexistent) shares absolutely refuses to deliver that which it sold the only option left is for the DTCC management to “buy-in” this debt and forward the missing shares on to their original buyer and to hand the bill to the party refusing to make delivery. This is referred to as a “buy-in”.
- 20) The “Deep Capture” name of this very website refers to the phenomenon of certain regulators like the SEC and certain “self-regulators” like the DTCC refusing to act in that capacity when the financial interests of those being regulated takes precedence over their doing the job that congress mandated them to do.
- 21) Part of this current “stalemate” has to do with the fact that the “buy-in” process might naturally drive share prices back upwards to a more nonmanipulated level which would force these fraudsters to pull more of the stolen money out of their wallets to collateralize the associated higher collateralization requirements. If

- these securities fraudsters have been pretty much the only sellers for a while then the mere cessation of the daily naked short selling being done to keep collateralization requirements in line would cause share prices to go up. The covering of an astronomically large naked short position in a market already moving upwards might be rather expensive. But it's supposed to be expensive as "buy-ins" serve as the natural market phenomenon to deter the commission of these crimes in the first place. They represent a "risk". Thus we sit in this stalemate wherein U.S. corporations are left dying with the weight of all of the preexisting "securities entitlements" weighing heavily on their shoulders while the DTCC management continues to pretend to be "powerless" to do anything about it.
- 22) Therefore today's "status quo" involves the markets of corporations unfortunate enough to be targeted for an attack being basically "rigged" to go nowhere but downwards in order to look after the financial interests of the abusive DTCC "fraternity brothers" and their unregulated hedge fund "guests" that choose to take part in these frauds. This is all while the only parties with the ability to do anything about this crime wave, the DTCC, its overseer the SEC and the congressional committees overseeing the SEC refuse to throw a lifeline to these corporations, their investors and their employees. Their reasons center around various issues like financial conflicts of interest, "regulatory capture" and the desire to attract political contributions from powerful industry and hedge fund participants and lobbyists.
  - 23) The critical role of "buy-ins" needs to be appreciated. Firstly, they allow the investors unknowingly sitting on these hidden delivery failures to get what they already paid for. Secondly, they remove the incredibly damaging "securities entitlements" from the share structure of targeted corporations which stops their share price depressing effect. Thirdly, the fear of buy-ins reinstates the one truly meaningful deterrent from future misconduct i.e. reintroducing the "risk" that DTCC policies had previously surgically removed.
  - 24) All investors make risk/reward calculations. When the DTCC predictably refuses to execute buy-ins then 99% of the "risk" associated with perpetrating these frauds is removed as there's pretty much no other unconflicted parties empowered to execute buy-ins. This "facilitates" the commission of these crimes by creating a "self-fulfilling prophecy". This removal of the "risk" leaves only the "reward" associated with being able to predictably reroute the less financially-sophisticated investor's funds into your own wallet without lifting a finger. Any risk/reward calculation made results in a green light to attack with all you've got and continually "double down" on your bet with the victim's own funds.
  - 25) Any fraud involving access to "self-generated leverage" like ANSS which in turn creates "self-fulfilling prophecies" as easy to access as by merely refusing to deliver that which you sell with hardly any risk at all being incurred will invite participation by the more sophisticated criminal groups able to recognize this powerful concept. This is very much a rich man's fraud. Any self-regulatory organization (SRO) or regulator like the SEC assigned to address these frauds must be equally sophisticated and without any conflicts of interest whatsoever in order detect and deter this behavior. Unfortunately the Wall Street landscape is

literally riddled with “conflicts of interest” as well as regulators “captured” by the financial interests of those they are supposed to be regulating.