

MT. PLEASANT, SOUTH CAROLINA 29466

January 6, 2006

Richard Shelby, US Senator
United States Senate
Committee on Banking, Housing and Urban Affairs
Washington, DC 20510-6075

Dear Senator Shelby,

Though I do appreciate receipt of your letter of 12/20/05 acknowledging my previous conversation with one of your staffers, (Travis, I believe), concerning the issue of Failure To Deliver, I must also regret to say that I am deeply disappointed with the depth of your response.

Due to the ongoing wave of 'naked shorting', its profound negative impact on my net worth and, most gravely, the failure of our regulatory, enforcement and oversight officials to respond in an aggressive fashion (and in fact, any fashion at all) to protect the small investor, I have lost all confidence in our financial system. It is severely corrupted and skewed in favor of the ultra-wealthy and influential. With 'mob like' efficiency, wealth is being illegally transferred from the small investor to the mega-rich, much of which also avoiding any payment of taxes at any level. This is being done with impunity despite awareness of your Committee and I fear, with the complicity of your Committee.

I'm conversant with Reg SHO and its dismal failure. I'm aware of laws that have been in place since the early 1930's which are simply being violated. The Reg SHO list itself is testament to its failure in that , at least, several companies have been on that list nearly every day since its inception with no action taken to remove them from the list by impeding the illegal trading practices that introduced them to the list to begin with. Further Reg SHO is a travesty in 'grandfathering' all uncovered positions prior to 1/1/05 from any enforcement. Since when does the SEC have the authority to overrule laws enacted by our legislature?

You mention your “aggressive approach to oversight”. Exactly where is any indication of this aggressiveness? I watched Sen. Bennett aggressively question the ex-Chairman of the SEC on cspan last year as he vowed to continue the questioning until he received satisfactory answers. What action has taken place since, except of course the early departure of that Chairman along with many other senior staff at the SEC in what surely appears to be a “brain drain” of those not wishing to be assigned duplicity in the biggest scandal our financial system has ever witnessed? And who could be more familiar with this illegal trading activity than your own Sen. Corzine? My goodness! The former CEO of Goldman Sachs, which surely is one of the bigger players in this criminal conspiracy! What action has he taken? What insight has he provided? What oversight?

In fact, the entire concept of SRO’s is insulting to the intelligence of the American public. The SEC acknowledges the problem publicly but maintains it is a small problem. Then under the protection of being an SRO refuses to release the #’s of FTD involved! How about the DTCC? It processes more \$\$\$ than the civilized world has ever seen yet remains a secret monopoly, owned by large banks, brokers and exchanges and buffers itself from scrutiny under the guise of being an SRO entity!

I could go on in more details but I know you have heard it all before.

Sir, I can only say at this point that I am insulted by your public inaction. I can advise that I am part of a growing community who will discontinue contributions to any party and will refuse to vote for any official who fails to adopt a public position of seeking to expose FTD, prosecute criminals involved and fix the damaged system. Hell, all that needs to be done is enforce existing laws and require short sellers to cover their positions T+3. Pretty simple solution!

Sen. Shelby, you and your Committee can be part of this solution; otherwise you remain part of the problem.

I expect no further response from you but would truly welcome one. I have no more confidence that you will than I have in our system of trading securities.

Sincerely,

Cc; Senator Robert F. Bennett
Senator Jon S. Corzine
Ncans.net