

March 29, 2007

Dear Sir or Madam,

I feel quite troubled that you re-open Reg SHO for comments when the very nature of Reg SHO is flawed. Failure-To-Deliver's (FTD's) should not be allowed, period. Borrowing of shares should be required prior to any short sale being performed. In this electronic day-and-age, I find it inexcusable that trades are not settled in 3 minutes, let alone 3 days. If the shares are not in a person's account, the sell order should not be allowed. There is no argument, save impartial market-making, to satisfy the need for selling ahead of having the shares in a person's account.

I find it extremely troubling that the very agency chartered to protect investors, has turned it's back on a very real, very serious problem in naked-shorting. Reg SHO's "Grandfather" clause made no sense then, and it continues to make no sense today to protect participants of this illegal activity. An illegal position is just that - ILLEGAL. Justification for this grandfathering was said to protect proprietary trading strategies and is preposterous - these so called strategies are ILLEGAL and as such, deserve no such protection. I ask you, where is the interest of the investor here? We post names of sex offenders online, and yet we can't see the source of these FTD crimes?

I believe Reg SHO needs to be amended and/or rewritten to do the following:

- 1) Disallow all FTD's by requiring shares be in the account of the seller prior to the sell order being executed, regardless of whether the shares are borrowed or not.
- 2) Immediately require the clearing of all currently grandfathered positions. Any adverse financial impact those clearing their positions are due justice for having been party to an illegal activity in the first place. Additional financial obligation should be placed on the broker/dealers that allowed this behavior.
- 3) Mandate significant fines for FTD activity, escalating rapidly for repeat behavior. This should include existing "grandfathered" positions.
- 4) Demand settlement in a more realistic timeframe of no more than one hour.
- 5) Absent any real change, the reporting of Reg SHO violations should be completely and openly reported with both the broker/dealer and institution named. The the market vote with their dollars on whether they wish to do business with criminals.

The SEC's unwillingness to properly address this situation is undermining the trust everyone has in our equities market. Naked-short selling is akin to counterfeiting, but is being treated like jay-walking.

Thank you for your consideration.

Curt Whitaker