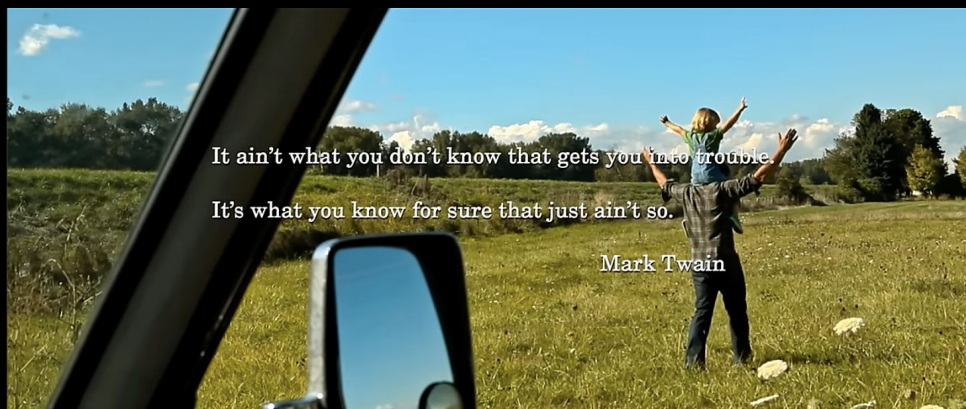


Petition Principles

Fixing Bullshit Market Rules
One Exception At A Time

WhyDRS.org



It ain't what you don't know that gets you into trouble.
It's what you know for sure that just ain't so.

Mark Twain

THE BIG SHORT

GameStop

While the whole world was having a big ol' party, a few outsiders and weirdos saw what no one else could.
These outsiders saw the giant lie at the heart of the economy.

And they saw it by doing something the rest of the suckers never thought to do: ... they looked.

For those of you who remember The Big Short movie, there's this scene at the very beginning which I think is quite appropriate for our petition topic.

The SEC was founded after the Wall St crash of 1929 to enforce laws against market manipulation. *Wall St cheated people and the SEC was created in response.*

Over time people simply assumed the SEC was doing their job while Wall St captured the regulator and ratings agencies. *Wall St has been able to get the SEC to write rules in their favor.*

It's time we, as retail investors, take a look at those rules and start asking for changes to level the playing field.

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U.S. Securities and Exchange Commission

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RULES & REGULATIONS

- Rulemaking Activity
- Statutes and Regulations
- Staff Guidance
- No Action, Interpretive and Exemptive Letters
- Commission Orders and Notices
- Shareholder Proposals
- Self-Regulatory Organization Rulemaking
- Policy Statements
- Petitions for Rulemaking**
- Fee Rate Advisories
- Public Company Accounting Oversight Board Rulemaking
- Exchange Delistings
- How to Submit a Comment

Home / Rules and Regulations / Petitions for Rulemaking Submitted to the SEC

Petitions for Rulemaking Submitted to the SEC

Any person may request that the Commission issue, amend or repeal a rule of general application. Petitions must be filed with the Secretary of the Commission. Petitions may be submitted via electronic mail to Secretaries-Office@SEC.GOV (preferred method) or via physical mail at 100 F. Street NE, Washington, D.C. 20549-1090. To help us process your petition more efficiently, please use only one method.

Petitions must contain the text or substance of any proposed rule or amendment or specify the rule or portion of a rule requested to be repealed. Persons submitting petitions must also include a statement of their interest and/or reasons for requesting Commission action.

All petitions will be forwarded to the appropriate division or office of the Commission for consideration and recommendation. Following submission of the staff's recommendation to the Commission, petitioners will be notified of any action taken by the Commission.

For additional information please refer to the Commission's Rules of Practice, [Rule 192 \(17 CFR 201.192\)](#).

Note: Rulemaking petitions are made available to the public after processing. Do not include personal identifiable information in submissions; submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

File Number	Date	Details
4-866	Aug. 11, 2025	Petition for rulemaking to modernize FINRA Rule 4210 the Pattern Day Trading rule Submitted By: Jesus Devesa
4-865	Aug. 13, 2025	Petition for rulemaking to Close Loopholes Abused for Naked Shorting Submitted By: Various Persons

Anyone can ask (i.e., petition) the SEC to change the rules. There's only 2 main requirements:

- 1) Petitions have to contain the rule changes you are asking for.
- 2) Petitions must include reasons for why you want the rule change.

The SEC does reserve the right to withhold from publication any material that is considered obscene or subject to copyright protection.

Petitions are important because they create a **Paper Trail** in a **Bureaucracy**.

- Historically, retail investors have commented against rules proposed by Wall St interests; but this is just playing **defense** (🛡️).
- If we truly want to level the playing field, retail investors need to go on the **offense** (⚔️) asking for changes by filing Petitions for Rulemaking to the SEC.
- Once these petitions are on file, the SEC is a **gatekeeper** (🚧) deciding which petitions move forward to a Rule Proposal for Comments by anyone interested.
- After comments are received and processed, the SEC decides whether to **Adopt** or **Reject** a proposed rule.

Historically, Wall St would petition and the SEC would put forward their proposals for comment; to which retail investors generally ignored. As the SEC heard no objections, Wall St would always get their way.

Keep It Stupidly Simple

FOCUS

One battle at a time

Challenging Wall St & Status Quo

Undeniable Problem

Simple ELI5 & ELIA

Two overall principles for petitioning:

1) Keep It Stupidly Simple

The simpler it is, the easier for anyone out there to understand it.

2) FOCUS on ONE change at a time

A narrow focus makes for shorter petitions which are easier to write and easier to read. Changing just one little part of the rules is much simpler than rewriting an entire section of the rules.

Highlighting why the rule is creating an undeniable problem also helps strengthen the petition for that paper trail.

We're aiming for ELI5 and ELIA (Explain Like I'm 5 and Explain Like I'm an Ape, respectively). Remember, once the petition is on file it is part of a **paper trail** that anyone can access. If your petition is something anyone out there can understand, that makes for a very powerful "I Told You So".

First, “Two” Steps

1. Find A Shitty Rule (Exemptions 📖Easy)

📖👁 Citations & References

📖👁 “Exceptions”, “exemptions”, “___ shall not apply”,

“Provided, however, ___”, *etc...*

2. Fix That Shit

✍ ~~Redline~~ the rule. *How would you rewrite the rule?*

✍ Delete the exceptions & exemptions

✍ Penalty? Change it!

This is the hardest part...

Eyes glossing over? You're in the right place!

Remember: FOCUS & KISS

Simple edits are easier to push through!

Most rules that were put forward by the SEC a long time ago actually made sense because those rules were put in place after the 1929 debacle.

Over time, Wall St kept adding in exceptions, aka loopholes, to the rules.

Find the exceptions and loopholes and ask to remove them.

Writing A SEC Petition! [\[Template\]](#)

Two Requirements

1) What do you want to change?

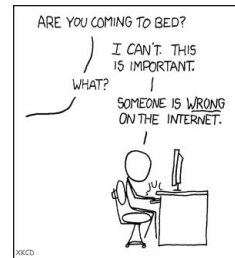
YOUR ~~REDLINE~~ CHANGES



No requirements on formality or language!

2) Why does this matter to you?

COMPELLING REASONS



It helps to use industry terminology...

Once you've found an exception to eliminate, that's already half the requirements for a petition!

The second half is simply explaining why the exception should be eliminated.

Writing A SEC Petition! [\[Template\]](#)

Two Requirements: TODO

1) What do you want to change?

- Your ~~Redline~~ Changes
- Use [\[INSERTION\]](#) and ~~--DELETION--~~ marks

2) Why does this matter to you?

- What is the **[undeniable]** problem?
 - Evidence of the problem
 - Current rule creates/allows the problem
- Proposed change fixes the problem
- Why is this better for investors / EVERYONE?

And then drafting it up. If you're familiar with "Track Changes" in a document, you're basically doing that for the change you're proposing to the rules. Except government is old school so be sure to do old school Track Changes that work with black and white photocopies.

As for explaining why the proposed change is important, the general outline is:

- Explain what the problem is
 - Provide some evidence of the problem
 - Explain why the current rule creates or allows the problem
- Explain why your proposed change fixes the problem.
- Lastly, explain why fixing the problem is "A Good Thing"

Template Structure

Put The Pieces Together

1. What is the **[undeniable]** problem?
 - Evidence of the problem
 - Current rule creates/allows the problem
2. Proposed ~~REDLINE~~ change(s) fix the problem
3. (Optional) Rebutting Prior Arguments
4. Closing Remarks (Why is this better?)

Data, Quotes & Citations

- Source Matters:
SEC (**BEST:** Quote & use their words against them!)
Federal Reserve
SRO (DTC/DTCC/NSCC/OCC/...)
Federal Agencies
Research Papers (**Good**)
- Search for when the Rule was adopted and/or changed
 - What did the SEC & Commenters say?
 - 📖👁️ Facts & Reasons
 - 📖👁️ Rules, Regulations & Laws

Explain how the current rule creates or allows the undeniable problem.

When providing evidence of a problem, the source matters. The BEST source is something from the SEC because you can use their own words and data against them and it's difficult for them to backtrack. The more authoritative the source, the better. (This concept might be familiar to anyone who has some legal or debate background.)

A great way to find sources of evidence is actually from when the Rule was adopted or changed before. Look for what the SEC and Commenters said before.

- Did supporters lie about something? If the SEC assumed something would happen and the data now shows otherwise, that's a great reason to change the rule!
- Did the SEC overlook something commenters said before? Maybe there's an "Told You So" situation?

Template Structure

Put The Pieces Together

1. What is the **undeniable** problem?
 - Evidence of the problem
 - Current rule contributes to the problem
2. Proposed ~~REDLINE~~ change(s) fix the problem
3. (Optional) Rebutting Prior Arguments
4. Closing Remarks (Why is this better?)

Propose ~~REDLINE~~ changes

- Think: old school markup with a typewriter.
- Lowest Common Denominator Format: B/W copies
- Use [INSERTION] and ~~--DELETION--~~ marks

Rule 66

(a) GME go up or down[.]~~--7~~

~~(b) Except for any day ending in Y, and~~

~~(c) Except when trading sideways.--~~

Template Structure

Put The Pieces Together

1. What is the **undeniable** problem?
 - Evidence of the problem
 - Current rule contributes to the problem
2. Proposed ~~REDLINE~~ change(s) fix the problem
3. **(Optional) Rebutting Prior Arguments**
4. Closing Remarks (Why is this better?)

"But nobody could've known that was a bad idea!"



- Why was this adopted & why was that stupid?
- What did supporters say *vs* what actually happened?
- Data, Quotes & Citations
- Examples - *ELI5* & *KISS*

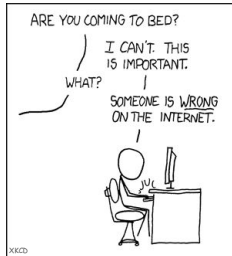
Rebutting prior assumptions, arguments, and reasons the rule was adopted is a phenomenal basis for changing the rule. For example, if supporters said failures to deliver would go down but then instead went up with the rule change, then it's pretty clear the rule change didn't do what was intended, right?

If the SEC said they're adopting a rule change because of X, but then X turns out not to be true... that's also a great reason to revisit the rule change!

Template Structure

Put The Pieces Together

1. What is the **undeniable** problem?
 - Evidence of the problem
 - Current rule contributes to the problem
2. Proposed ~~REDLINE~~ change(s) fix the problem
3. (Optional) Rebutting Prior Arguments
4. Closing Remarks (Why is this better?)



Conclusion

- [SEC Mission](#)
Protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.
- 🤖 One Line Summary
- If focusing on eliminating exceptions,
These proposed amendments do not change any of the sound underlying principles upon which the rules are based. Instead, these proposed amendments **eliminate exceptions so that the sound underlying rules are applied fairly and equally to all parties with uniform delivery requirements for all long sales.**

The conclusion is likely the easiest part of the petition.

- Write a pithy one line summary of the proposed change
- How does the proposed change fit within the SEC's mission?

Eliminating exceptions is probably good for protecting investors and creating a fair and efficient market. Having rules applied equally and fairly to everyone is also pretty obviously a good thing.



Where To Write?

Individual

- ☒ Microsoft Word (Windows)
- ☒ Pages (Mac)
- ☒ Google Docs

Collaborative

- GitHub
- Google Docs
- Microsoft Word
- Pages



Where To Look?

Name	For	Reference	Note(s)
RegSHO	Regulation SHO - Regulation of Short Sales	17 CFR 242.200 - 204	REGULATION SHO—REGULATION OF SHORT SALES (§§ 242.200 - 242.204) § 242.200 Definition of "short sale" and marking requirements. § 242.201 Circuit breaker. § 242.203 Borrowing and delivery requirements. § 242.204 Close-out requirement.
Rule 203	Borrowing and delivery requirements	17 CFR § 242.203	203(a) - Long sales 203(b) - Short sales
Rule 204	Close-out requirement	17 CFR § 242.204	204(a)(2) - C35 Settlement
Rule 15c3	OTC Markets Customer protection - reserves and custody of securities	17 CFR § 240.15c3	15c3
Rule 10b-5 (Wikipedia)	Securities Exchange Act of 1934 ("Exchange Act") Authorizes the SEC to regulate fraud and deception	17 CFR § 240.10b-5	
Rule 10b-21	Securities Exchange Act of 1934 ("Exchange Act") General rule against selling and lying about delivering	17 CFR § 240.10b-21	

§ 242.203 Borrowing and delivery requirements.

(a) Long sales.

(1) If a broker or dealer knows or has reasonable grounds to believe that the sale of an equity security was or will be effected pursuant to an order marked "long," such broker or dealer shall not lend or arrange for the loan of any security for delivery to the purchaser's broker after the sale, or fail to deliver a security on the date delivery is due.

(2) The provisions of paragraph (a)(1) of this section shall not apply:

Exceptions!

(I) To the loan of any security by a broker or dealer through the medium of a loan to another broker or dealer;

(II) If the broker or dealer knows, or has been reasonably informed by the seller, that the seller owns the security, and that the seller would deliver the security to the broker or dealer prior to the scheduled settlement of the transaction, but the seller failed to do so; or

(III) If, prior to any loan or arrangement to loan any security for delivery, or failure to deliver, a national securities exchange, in the case of a sale effected thereon, or a national securities association, in the case of a sale not effected on an exchange, finds:

(A) That such sale resulted from a mistake made in good faith;

(B) That due diligence was used to ascertain that the circumstances specified in § 242.200(g) existed; and

(C) Either that the condition of the market at the time the mistake was discovered was such that undue hardship would result from covering the transaction by a "purchase for cash" or that the mistake was made by the seller's broker and the sale was at a permissible price under any applicable short sale price test.

17 CFR § 240.15c3-3 - reserves and custody of securities

(m) **Completion of sell orders on behalf of customers.** If a broker or dealer executes a sell order of a customer (other than an order to execute a sale of securities which the seller does not own) and if for any reason whatever the broker or dealer has not obtained possession of the securities from the customer within 10 business days after the settlement date, the broker or dealer shall immediately thereafter close the transaction with the customer by purchasing securities of like kind and quantity:

Provided, however, The term customer for the purpose of this paragraph (m) shall not include a broker or dealer who maintains an omnibus credit account with another broker or dealer in compliance with section 7(f) of Regulation T (12 CFR 220.7(f)).

Exception!



Examples

Look for those **exception** keywords! ("Exceptions", "exemptions", "___ shall not apply", "Provided, however, ___", etc...)

You'll see the rule starts off pretty reasonably (left: delivery is good; right: completing orders is good), but then there's **exceptions** (left: everything in (2) which lists when the reasonable rule "shall not apply"; right: excludes some broker/dealers from being a customer).

Let's get rid of exceptions to perfectly good rules.

§ 242.203 Borrowing and delivery requirements.

(b) Short sales.

(1) A broker or dealer may not accept a **short sale order** in an equity security from another person, or effect a **short sale** in an equity security for its own account, unless the broker or dealer has:

- Borrowed the security, or entered into a bona fide arrangement to borrow the security; or
- Reasonable grounds to believe that the security can be borrowed so that it can be delivered on the date delivery is due; and
- Documented compliance with this paragraph (b)(1).

(2) The provisions of [paragraph \(b\)\(1\)](#) of this section shall not apply to:

(i) Any sale of a security that a person is deemed to own pursuant to [§ 242.202](#), provided that the broker or dealer has been reasonably informed that the person intends to deliver such security as soon as all restrictions on delivery have been removed. If the person has not delivered such security within 35 days after the trade date, the broker-dealer that effected the sale must borrow securities or close out the short position by purchasing securities of like kind and quantity;

(ii) **Short sales** effected by a market maker in connection with bona fide market making activities in the security for which this exception is claimed; and

(iii) Transactions in security futures.

(iv) If a participant of a registered clearing agency has a fail to deliver position at a registered clearing agency in a threshold security for thirteen consecutive settlement days, the participant shall immediately thereafter close out the fail to deliver position by purchasing securities of like kind and quantity.

Conditions!

(i) **Provided, however,** that a participant of a registered clearing agency that has a fail to deliver position at a registered clearing agency in a threshold security on the effective date of this amendment and will, prior to the effective date of this amendment, had been previously grandfathered from the close out requirement in [paragraph \(b\)\(1\)](#) of this section (i.e., because the participant of a registered clearing agency had a fail to deliver position at a registered clearing agency on the settlement day preceding the day that the security became a threshold security), shall close out that fail to deliver position within thirty-five consecutive settlement days of the effective date of this amendment by purchasing securities of like kind and quantity.

(ii) **Provided, however,** that a participant of a registered clearing agency has a fail to deliver position at a registered clearing agency in a threshold security that was sold pursuant to [§ 238.144](#) of this chapter for thirty-five consecutive settlement days, the participant shall immediately thereafter close out the fail to deliver position in the security by purchasing securities of like kind and quantity.

(iii) **Provided, however,** that a participant of a registered clearing agency that has a fail to deliver position at a registered clearing agency in a threshold security on the effective date of this amendment and will, prior to the effective date of this amendment, had been previously grandfathered from the close out requirement in [paragraph \(b\)\(1\)](#) of this section (i.e., because the participant of a registered clearing agency that had a fail to deliver position in the threshold security that is attributed to short sales effected by a registered options market maker to establish or maintain a hedge or option position that were created before the security became a threshold security), shall immediately close out that fail to deliver position, including any adjustments to the fail to deliver position, within 35 consecutive settlement days of the effective date of this amendment by purchasing securities of like kind and quantity.

(iv) If a participant of a registered clearing agency has a fail to deliver position at a registered clearing agency in a threshold security for thirteen consecutive settlement days, the participant and any broker or dealer that it clears transactions, including any market maker that would otherwise be entitled to rely on the exception provided in [paragraph \(b\)\(1\)\(i\)](#) of this section, may not accept a **short sale order** in the threshold security from another person, or effect a **short sale** in the threshold security for its own account, without borrowing the security or entering into a bona fide arrangement to borrow the security, until the participant closes out the fail to deliver position by purchasing securities of like kind and quantity.

(v) If a participant of a registered clearing agency entitled to rely on the 35 consecutive settlement day close out requirement contained in [paragraph \(b\)\(1\)\(i\)](#), [§ 238.144](#), or [§ 238.145](#) of this section has a fail to deliver position at a registered clearing agency in the threshold security for 35 consecutive settlement days, the participant and any broker or dealer for which it clears transactions, including any market maker, that would otherwise be entitled to rely on the exception provided in [paragraph \(b\)\(1\)\(i\)](#) of this section, may not accept a **short sale order** in the threshold security from another person, or effect a **short sale** in the threshold security for its own account, without borrowing the security or entering into a bona fide arrangement to borrow the security, until the participant closes out the fail to deliver position by purchasing securities of like kind and quantity.

(vi) If a participant of a registered clearing agency reasonably allocates a portion of a fail to deliver position to a **registered broker or dealer** for which it clears trades or for which it is responsible for settlement, based on such broker or dealer's short position, then the provisions of this paragraph (b)(1) relating to such fail to deliver position shall apply to the portion of such registered broker or dealer that was allocated the fail to deliver position, and not to the participant; and

(vii) A participant of a registered clearing agency shall not be deemed to have fulfilled the requirements of this paragraph (b)(1) where the participant enters into an arrangement with another person to purchase securities as required by this paragraph (b)(1), and the participant knows or has reason to know that the other person will not deliver securities in settlement of the purchase.

(b) Short sales.

(1) A broker or dealer may not accept a **short sale order** in an equity security from another person, or effect a **short sale** in an equity security for its own account, unless the broker or dealer has:

- Borrowed the security, or entered into a bona-fide arrangement to borrow the security or
- Reasonable grounds to believe that the security can be borrowed so that it can be delivered on the date delivery is due; and
- Documented compliance with this paragraph (b)(1).

OR??? Why OR?

(2) The provisions of [paragraph \(b\)\(1\)](#) of this section shall not apply to:

(i) A broker or dealer that has accepted a **short sale order** from another registered broker or dealer that is required to comply with [paragraph \(b\)\(1\)](#) of this section, unless the broker or dealer relying on this exception contractually undertook responsibility for compliance with [paragraph \(b\)\(1\)](#) of this section;

(ii) Any sale of a security that a person is deemed to own pursuant to [§ 242.200](#), provided that the broker or dealer has been reasonably informed that the person intends to deliver such security as soon as all restrictions on delivery have been removed. If the person has not delivered such security within 35 days after the trade date, the broker-dealer that effected the sale must borrow securities or close out the short position by purchasing securities of like kind and quantity;

Borrow or Close within C35

(iii) **Short sales** effected by a market maker in connection with bona-fide market making activities in the security for which this exception is claimed; and

"Bona Fide" Market Making Exception

(iv) Transactions in security futures.

Exceptions!

Another "Seller Lied" Exception???
(Not quite...?)
Long dated far out Deep ITM Put's?

Examples

More examples of a long list of exceptions which we can get rid of... Can you spot the problems with these?