Balancing the World with Blockchain

A Roadmap to Engineer Equitable Financial Markets, Create New Shareholder Value, and Beget International Wealth Equality

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Block Transfer

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The first time I became aware of the way that some trades could affect the number of shares in circulation goes back to 1993. When I went to the senior managers at DTC, they said that they wouldn't do anything about it because, "You can't balance the world."

I remember thinking that wasn't a very good answer.

— Dr. Susanne Trimbath

There's no busload of children going over a cliff. It's a billion paper cuts suffered by everyone.

— Eric Hunsader

They're self-regulatory organizations, SROs, whis means that they have legal immunity. Over the years, if you have legal immunity, which means you can't be sued even if you egregiously do something wrong. Well, I know human nature a little bit. And you mix it in with capitlism and having shareholders. Legal immunity is just a downward path to the place that we're at today.

— Eric Hunsader

For Dad, and all the joy Wells Fargo brought us.

Preface

As Joe Crapster sat at his desk, sweat pouring down his face, he couldn't help but feel the mounting pressure of hundreds of shareholder emails flooding his inbox. Phones rang incessantly as his team of nearly a dozen shareholder-service reps tried to keep up with the deluge of calls. It felt as if a blood vessel was about to explode in his head. Joe had no idea how to balance the hundreds of millions of outstanding, yet unsettled, dividend payments.

The pandemic had caused postal services to grind to a halt, leaving hundreds of dividend checks that had been mailed to book-entry shareholders lost in the chaos. Security holders around the world were livid, all with the same question: "Where's my money?" It was a question that was asked far too often in the stock market industry.

For many of these retirees, Duke's dividend income was their livelihood. The sudden disappearance of their largest source of income left families struggling to put food on the table. They were disappointed, and Joe couldn't help but feel a sense of guilt for not being able to provide them with the answers they needed.

Joe's team of shareholder-service reps were flooded with paperwork, trying to keep up with the constant demand for stockholder forms. They were working overtime, but still couldn't seem to make a dent in the backlog. To make matters worse, the printer at the office broke, and the staff had to take turns visiting Joe's house to print out the required forms.

It was a trying time for everyone involved, and Joe couldn't help but feel the weight of responsibility on his shoulders. He knew that the livelihoods of so many families were depending on him to find a solution. He worked tirelessly, day and night, trying to find a way to get the dividend payments to the shareholders as quickly as possible. Despite the challenges, Joe was determined to see it through, and he wouldn't rest until the job was done.

A year after Joe's dilemma, I found myself in a similar situation at my small friends/family fund. We'd just sold about 100K of Bitcoin bought years prior based largely on delayed opaque institutional orders.[1]

As we watched Bitcoin continue to soar to new heights, day after day, week after week, we couldn't

[1] We'd scan for these bulk orders on little-known data feeds that connected directly to clearing destinations.

help but feel a sense of unease. Despite the market's bullish momentum, we couldn't shake the feeling that something was about to give. As the crypto market reached its peak, it became increasingly clear to us that a crash was imminent.

We had seen this pattern before, the hype and excitement building to a fever pitch, only to be followed by a devastating fall. We knew that we needed to act fast, and we began to develop an extremely bearish view on the market. We saw a big opportunity.

We closely monitored the market, studying charts and indicators, looking for any signs of weakness. We saw that Bitcoin had formed a technical wedge, indicating that it was likely to crash back down to about thirty thousand. We knew that this was our chance to really scale our gains, and we started shorting tops around 59K on 100X-leveraged futures contracts.

The market was constantly changing and it was hard to predict what was going to happen next. Every time we made a move, it felt like a high stakes gamble. We knew that if the value of Bitcoin went up even slightly, it could wipe out all the money we had put into shorting the market. It was crucial that we made the right decisions at the right time and that our execution was perfect. One small mistake could have a huge impact on our investments and the returns for our investors. The pressure was intense but we were determined to make the best choices for our investors and to protect their investments.

As the crisis at Duke Energy continued, Joe and his team found themselves in damage-control mode, trying to put out a raging fire with just a watering can. No one knew where the mailed dividend checks had gone and the shareholder service reps were bombarded with angry calls from investors.

With no end in sight, Joe made a desperate move to balance the books by canceling all outstanding checks, many of which were deemed lost in processing weeks ago. Over the next few days, the shareholder services team worked tirelessly to manually print out hundreds of new checks. Executives even personally drove bundles of checks to the post office, knowing full well that it may take even more weeks for them to be delivered.

But just three days after mailing the new checks, shareholders started receiving their first dividend check. They were overjoyed, but their excitement quickly turned to disappointment when they discovered that the checks had been canceled. Angry and frustrated, hundreds of shareholders flooded the company lines once again, demanding answers about the new series of payments that had replaced the money they were holding in their hands but couldn't deposit.

As shareholders waited for their replacement checks, their confidence in Duke Energy began to waver. Every day without a dividend payment seemed to chip away at their trust in the company. Within a week, Duke lost over six billion in market value as a result of this crisis. Joe and his team were left reeling, trying to find a way to regain the shareholders' trust in their stock management department.

I sat at my desk, staring at the screens in front of me. I had spent months analyzing the market, using technical analysis and years of experience to predict the perfect moment to short Bitcoin. We had been waiting for the market to crash, and finally, it seemed like the moment had arrived. A beautiful hourly trading setup formed a trend crescendo. I knew that this was the top.

I quickly pulled up our trading terminal, ready to shoot off a market order and make a killing. But to my horror, I realized that our CFD account had almost no funds. I frantically searched for backup accounts, but all efforts were futile. Transfers from the bank would take days, and our wires wouldn't execute until the next morning. I had less than three hours to sell short.

Luckily, we had a small amount of blockchain dollars stashed away, but the fund's internal account risk management meant the money wouldn't move for at least three days after initiating a transfer.

Out of options, I panicked and put the minor leftover account balance in short Ether contracts, hoping to increase profits based on Ethereum's higher-leverage volatility profile. But as it turned out, Ethereum ran opposite of Bitcoin for two straight weeks, and I watched in dismay as the market slipped away from me. That trade would have turned less than 20K into a million dollars had the money transferred in time.

I sat there, staring at the screen in frustration, thinking about how one small mistake had cost me and my investors a fortune. It was a harsh lesson to learn, but one that I would never forget. As I closed down the fund, I couldn't help but think about how differently things could have turned out if only I had been able to act in time.[2]

As Joe sat in his office, staring at the never-ending stream of angry emails and phone calls, he couldn't help but feel a sense of frustration and despair. The manual and paper-heavy stock management system at Duke had proven to be a major weakness in the face of crisis, and he knew that something needed to change.

He remembered the days of frantically trying to balance the books, canceling checks left and right, and sending out new ones in a desperate bid to make things right. He remembered the long nights spent at his home office, manually printing out hundreds of new checks, and the bitter taste of defeat as he watched the company's market value plummet.

But as he sat there, surrounded by the remnants of the crisis, he couldn't help but think about how things could have been different. If only they had invested in digitization technologies similar to the ones used in the crypto market. If only they had implemented a digital stock management system that could have greatly reduced the risk of errors and delays, providing greater transparency and accountability for shareholders, and greatly improving the overall efficiency of their operations.

He thought about the frustration and disappoint-

[2]When a rebound occurred after closing down the fund, I made a similar personal trade that returned over 56X.

ment investors must have felt as they waited for their replacement checks, account statements, or other transfer documents. He couldn't shake off his memories of the employees who had taken over his living room, working tirelessly on the floor with printers, envelopes, and stamps. He knew there had to be a better way.

Contents

01

How Traditional Banking Failed the Poor

People, a lot of them living in shacks with dirt floors and tin walls... now they're all transacting on their smartphones. They're zipping around payments much easier than people in the first world... [it] can really transform their lives.

— Michael Peterson

It was a scorching summer day in El Salvador. Milton Cabrera was on his way to pay his electric bill. He boarded a crowded city bus without air conditioning, feeling the heat bearing down on him as he made his way to the bank. Once he arrived, he was met with a long line that stretched out the door.

Milton stood in line at the bank, feeling the oppressive heat bearing down on him. The line was never-ending, and with each step forward, his frustration grew. He was on a mission to pay his electric bill, but the journey was never easy. Each month, he made a three-hour journey to the bank, knowing full well the toll it would take on his time and wallet.

His thoughts drifted to the money he was spending on his bus fare, and the energy he was losing on this arduous journey. The process was tedious, and he wished there was a more efficient way to make payments. He couldn't help but imagine a world where he could pay his bills without having to leave his home, where he could spend his time and money on things that brought him joy.

As he finally arrived at the counter, he paid his bill, but the experience left him feeling defeated. He couldn't shake the feeling that there had to be a better way, a way to simplify his life and make the most of his resources. He left the bank, determined to find a solution that would spare him this monthly hassle.

Geographical barriers to banking services have been a persistent frustration for many low-income individuals and communities for a long time. Imagine living in a remote village, miles away from the nearest bank branch or ATM. You work hard every day, but you don't have a secure place to keep your hard-earned cash. The fear of losing your savings to theft or misplacement keeps you up at night.

But the issue goes beyond the lack of physical access to banking services. It's about the lack of opportunities that come with it. Without a bank account, you can't take advantage of online shopping or use a debit card to make purchases. You can't invest in your future or take out a loan to start a business. It's a vicious cycle where poverty and lack of access to banking services fuel each other.

The story of geographical barriers to banking services started in the early days of banking when bank branches were limited to major cities and affluent areas. This exclusion was due to several factors, including the high cost of building and maintaining bank branches in remote and rural areas and the belief that low-income individuals were too risky for banks to serve.

As time passed, this exclusion only became more entrenched as traditional banks continued to prioritize serving the wealthy, ignoring the needs of the poor. The result was a growing divide between those with access to financial services and those without. This divide only widened as bankers focused on high-profit activities such as lending to large corporations, rather than serving the financial needs of the poor, who often require small loans to start or grow their businesses.

The exclusion of low-income individuals from the financial system has far-reaching consequences. They're unable to access credit and loans to start businesses, invest in their future, or take advantage of other financial opportunities. Moreover, their dependence on informal financial services that charge exorbitant fees and interest rates leave them more susceptible to financial deceit and exploitation.

In 2021, El Salvador made history by becoming the first country to adopt Bitcoin as a legal tender. The decision was driven by the high remittance fees charged by traditional banks. These made it difficult for the country's large and growing population of low-income migrant workers to send money back to their families. For many families, these fees were a major burden, eating into their already limited resources.

Remittances are a critical source of income for many families in El Salvador, but the high fees charged by traditional banks meant that a significant portion of the money being sent was being lost to fees. For many families, these fees were a major burden, eating into their already limited resources.

In response to these challenges, the government of El Salvador made the bold decision to adopt Bitcoin as a legal tender. This move aimed to provide an affordable, secure, and efficient mode of money transfer for individuals to send money to their families without incurring high fees and long wait times.

The adoption of Bitcoin was not without its challenges, however. There were serious concerns from citizens about the stability of Bitcoin, ulterior government motives, and more. But most interesting was the significant resistance from traditional banks and financial institutions.

Despite these challenges, the government of El Salvador pressed on with its plans. In a short amount of time, the country's citizens have embraced Bitcoin, with many businesses now accepting it as a form of payment. The impact on remittances has been significant, with many families reporting that they are now able to send more money back home, without having to worry about high fees and long wait times.

For Milton and his community, access to digital currencies and markets provided a new way to grow their wealth over time. They learned to save for their futures with the digital wallet app.

As Milton they grew more comfortable with the technology, he began to dynamically invest his construction income into digital assets. He no longer had to rely on building fragile bungalows or engaging in risky black market activities. With the help of blockchain technology, he had a legitimate way to invest his extra money. And, best of all, Milton could now pay his electric bill instantly on his phone, without having to endure the long and frustrating journey to the bank.

Investing is not just about making money, it's about building a better life. And we can give people the tools they need to build a better future for themselves and their families with equitable access to banking and investment markets.

In many developing countries, citizens face high fees, long wait times, and inefficient or corrupt government financial policies. This makes it even more difficult for them to manage their finances and access essential services, such as paying bills, buying groceries, and accessing healthcare.

The impact of these barriers to access can be significant, leading to increased financial insecurity, and in some cases, poverty. For low-income individuals, every penny counts, and the high fees associated with traditional banking methods can have a devastating impact on their already limited resources. Inefficient government financial policies can also make it difficult for these individuals to access credit, which is essential for starting a business, buying a home, or pursuing other financial goals.

It is crucial that governments, financial institutions, and technology companies come together to address these issues and provide access to digital banking options for those who are being left behind. This could include partnerships with local organizations to provide digital literacy training, subsidies for technology and internet access, and the development of innovative solutions to help bring financial services to remote areas.

The story of El Salvador's adoption of Bitcoin as a legal tender is a testament to the power of innovation and the importance of financial inclusion. By breaking down the barriers to traditional banking services, the country has paved the way for a more inclusive and equitable financial system, where everyone has access to the financial services they need to succeed.

Access to financial services is a basic human right, and it is essential that we work to ensure that everyone, regardless of their income, has access to the tools they need to improve their financial situation. By working together, we can create a world where everyone has the opportunity to achieve financial stability and security.

02

Insights in Disparity

"We take these risks because of poverty... There is nothing else... All we can do is pray."

— Unknown Eluxolweni Man

Two hours south of Cape Town, South Africa, the sun beats down on the pristine shores of Pearly Beach, where tourists lounge and play. But just beyond the peaceful town lies a village in poverty - Eluxolweni. The residents here struggle to make a living, living in shacks with dirt floors and tin walls. A billion people around the world live on less than $2 a day, and many face similar struggles.

For the residents of Eluxolweni, the only option to get food is through illegal poaching of abalone, a delicacy. Overfishing has led to their commercial extinction, but many still turn to poaching as their only means of survival, despite the dangers and consequences.

Sivuyile Xelela, 34, was one of those poachers. He had been spawning abalone for years and knew the risks, but felt he had no other choice. He would sneak out at night to the shore and dive for as many abalones as he could before getting caught. It was a difficult and dangerous job, but the only way to feed his family.

One day, Xelela and a group of other men from Eluxolweni set out on a dangerous three-mile swim to Dyer Island, a prime location for abalones. Tragically, Xelela did not return.

Financial services are crucial in supporting individuals and communities. They help manage money, invest for the future, and achieve financial stability. Yet, many people don't understand their importance.

The reason is a lack of financial education. People, especially those from low-income communities, don't learn how to manage finances and make informed decisions. As a result, they don't understand financial services and their benefits.

Another issue is access to financial services. In rural or underserved communities, these services may not be readily available, making it hard for people to access or understand them.

Many people also distrust financial services and the industry. This can be due to negative experiences, lack of understanding, or security concerns.

To overcome this, it's important to invest in financial education and make financial services more accessible. This can include providing educational resources, increasing availability, and increasing trust in financial institutions.

Kiva is a non-profit organization that operates an online platform connecting lenders with borrowers in low-income communities around the world. The organization was founded in 2005 with the goal of using the power of the internet to connect people, expand access to capital, and create opportunities for people to lift themselves out of poverty.

Kiva's platform allows individuals to make small loans to entrepreneurs in need, helping them start and grow their businesses. Borrowers on the platform include farmers, small business owners, and women entrepreneurs, among others. Kiva works in partnership with local organizations, called Field Partners, to provide financial services to those in need. Field Partners screen and select borrowers, disburse loans, and provide support to borrowers as they repay their loans.

Kiva's model has proven successful, with over 2.5 million lenders from around the world having made over $1 billion in loans to borrowers in over 90 countries. The organization has helped thousands of individuals start and grow their businesses, and has received widespread recognition for its innovative approach to microfinance.

Kiva is a unique and successful example of how the power of technology and collaboration can be harnessed to help create opportunities for people in low-income communities around the world. By providing access to capital and support to entrepreneurs, Kiva is helping to create a more inclusive and sustainable global economy.

Financial inclusion initiatives aim to bring financial services to the unbanked and underserved populations. Despite the noble goal of these initiatives, their success often depends on adequate government and regulatory support.

Pro Mujer is a non-profit organization providing financial services to low-income women in Latin America. It was founded in 1990 in Bolivia and has since expanded to Mexico, Nicaragua, Peru, and Argentina.

Another factor in Pro Mujer's growth is its partnerships with local organizations and government agencies. The organization has worked closely with government agencies to create programs that support the development of micro-enterprises. They've also partnered with other non-profit organizations to provide complementary services, such as health care and education, to its clients.

In terms of government support, Pro Mujer has received both financial and regulatory support from governments in the countries where it operates. For example, the organization has received grants from international development organizations and government agencies to support its programs. They also benefited from favorable regulations that encouraged the growth of microfinance in Latin America.

One of the key ways that the government can support financial inclusion initiatives is through policy and regulation. This includes creating a favorable environment for financial service providers to operate in and setting standards for the quality and availability of financial services.

Grameen Bank is a microfinance organization based in Bangladesh that provides small loans to low-income individuals, particularly women, to help them start or expand their own businesses. The bank was founded in 1983 by Professor Muhammad Yunus and has since become a model for microfinance institutions around the world.

Grameen Bank's growth can be attributed to several factors, including its focus on serving the needs of low-income individuals, its innovative lending practices, and its commitment to empowering women. The bank has also received strong support from the government of Bangladesh, which has recognized the important role that microfinance can play in reducing poverty and promoting economic growth.

The government of Bangladesh has supported Grameen Bank in several ways. For example, it has provided the bank with financial support in the form of grants and loans, and has also created a favorable regulatory environment for microfinance institutions in the country. The government has also worked closely with Grameen Bank to promote financial literacy and to increase access to microfinance services for people in rural areas.

In addition to government support, Grameen Bank has also received recognition and support from international organizations and development agencies, which have recognized the positive impact that the bank has had on the lives of millions of people in Bangladesh.

Governments can also partner with financial service providers and other organizations to bring financial services to the unbanked and underserved populations. With enough support, these providers have the resources they need to reach low-income and marginalized populations and provide them with quality financial services.

FINCA International is a global microfinance organization that provides financial services, including loans, savings, insurance, and other financial products, to low-income individuals and small businesses in 20 countries around the world. The organization was founded in 1984 and is headquartered in Washington D.C.

FINCA's mission is to empower low-income individuals, particularly women, by providing them with access to financial services and the tools they need to build a better future for themselves and their families. The organization has a long history of working in challenging environments and has established a reputation for innovation and excellence in the microfinance sector.

FINCA has received support from a variety of sources, including government agencies, international development organizations, and private sector partners. The organization has partnerships with local organizations and has established branches and affiliated institutions in the countries where it operates.

One of FINCA's key strategies for success has been its focus on serving the needs of low-income women, who are often underserved by traditional financial institutions. The organization has a strong commitment to financial inclusion and has worked to increase access to financial services for people in rural areas and other underserved communities.

The organization received significant funding from the United States Agency for International Development, as well as other international development organizations. Additionally, many governments in the countries where FINCA operates have recognized the organization's important role in promoting financial inclusion and have provided support in various forms, such as tax incentives, regulatory exemptions, and technical assistance.

For example, FINCA has received support from the government of Peru, where it operates one of its largest programs. The Peruvian government provided FINCA with tax incentives and has helped the organization to obtain regulatory exemptions, allowing FINCA to offer its services to a wider range of clients and to expand its reach in the country.

The story of FINCA is an example of how microfinance institutions can help to promote financial inclusion and economic growth, particularly in developing countries. With the support of government agencies, international organizations, and private sector partners, FINCA has been able to reach millions of people and make a positive impact on their lives.

His death was a tragic reminder of the harsh reality of poverty and the desperate measures that people will take to survive. It's a sad reality, but one that can be changed through the use of technology and digital infrastructure. By bringing financial markets to the masses, through the use of cryptocurrencies and blockchain, we can give people like the residents of Eluxolweni the opportunity to take control of their financial futures and break the cycle of poverty, so they don't have to resort to dangerous and illegal methods for survival.

My partner told me of an old classmate who went on a missionary trip to South Africa. The church group traveled from town to town in a big yellow school bus, reading gleeful stories and teaching English to local children. While stopped at a gas station inbetween towns, two men armed with AK-47s boarded the bus. After violently subduing the driver, they forced everyone's phones, wallets, and jewelry into a large burlap bag.

As I sat in front of my computer, staring at the numbers on the screen, I couldn't believe my eyes. In just two weeks of paper trading, I had made more money than I had in the entire year prior. I had never felt such a rush of excitement and satisfaction before. I knew right then and there that I had found my calling.

Trading stocks had become a passion for me, and I couldn't get enough. I spent every waking moment researching and studying different trading strategies, trying to find new ways to make money. I was constantly analyzing charts and watching the market fluctuations, looking for opportunities to buy low and sell high.

I quickly realized that trading was not just about making money, it was also about taking control of my financial future. I had always been someone who wanted to be in charge of my own destiny, and trading gave me that power. I was no longer at the mercy of a boss or a minimum-wage job. I was in control of my own financial success.

As I continued to grow my portfolio, I faced many challenges and obstacles. There were days when the market was down and I lost money, but I never let those setbacks discourage me. I knew that success in trading was not guaranteed, but I was determined to make it work.

It was a long and challenging journey, but it was definitely worth it. I had found a career that I truly loved, and I was able to turn my passion for finance into a successful life. I couldn't be happier that I took that bold step and made the decision to pursue my dreams of financial freedom.

Xelela's death had a profound impact on his community. The villagers of Eluxolweni were determined to give him a proper burial, so they set out on a long and arduous journey to bring his coffin back to his hometown. They traveled over 600 miles on an exposed trailer, braving harsh conditions and rough terrain.

The journey was not just physical, but also emotional. Xelela's wife, now left alone, moved in with her parents. One of Xelela's relatives moved into the empty wooden shack that was once his home.

As the funeral procession made its way through the streets, a driver remarked on the harsh reality of their situation. "We take these risks because of poverty," he said. "There is nothing else. All we can do is pray."

As the sun began to set, the villagers of Eluxolweni gathered around the shore, mourning the loss of their beloved Xelela. The once lively and bustling community was now shrouded in a thick blanket of sorrow and grief.

The people of Eluxolweni don't have the luxury of thinking about earning returns through high-quality equities. They are focused on the immediate needs of their families, such as upgrading to a watertight metal roof, pouring a concrete floor, or digging a new well. These investments help them to survive, but they didn't provide a path to long-term prosperity.

But what if things were different? What if the billions of unbanked or underbanked had equitable access to capital markets and quality investments? They would have the opportunity to build a foundation for a better future, not just for themselves but also for future generations. They would have the means to improve their standard of living, and to make better moral decisions.

In the small villages across the world, residents face a difficult reality every day. They live in extreme poverty, with very limited access to financial markets. To acquire book-entry stock, for example, they would have to travel hundreds or even thousands of miles to appropriate banks. This means weeks or even months of pay just in transport and banking fees to access markets, let alone the actual stock purchase amount.

For these reasons, billions of people living in extreme poverty around the world simply can't afford to directly compound their wealth through equity investing because of outdated book-entry shareholder infrastructure. And good luck opening a brokerage account.

If these people had access to traditional market infrastructure, they could potentially compound their wealth and create a better future for themselves and their families. They imagine how great it would be if they could start buying up shares to save for their retirement, and how it would be a huge step forward in terms of investor diversity and hostile takeover prevention.

Unfortunately, for most developing territories, traditional market infrastructure simply doesn't exist. For a vast majority of people on this planet, financial markets are logistically inaccessible or prohibitively costly to access. Thus, billions outside the traditional banking system without assets turn to what they can to survive.

It's time for us to take action and create equitable global access to financial markets, so that people can build real savings and retirements and improve their standard of living. By creating a new global investing standard and saving money in the process, we can enable billions of people to build a better future for themselves and their families.

I took control over my finances early on by turning to the stock market and investing in companies. But for billions of people around the world, traditional financial markets are logistically inaccessible or prohibitively costly to access. Daily monetary needs too often force citizens in developing countries to turn to dangerous and illegal means of survival.

It's a sad reality, but one that can be changed through the use of technology and digital infrastructure. By bringing financial markets to the masses, through the use of blockchain technology, we can give people like the residents of Eluxolweni the opportunity to take control of their financial futures and break global cycles of poverty.

03

In the Pursuit of Great, We Failed to do Good

A vast majority of [Canadian] hockey players are born in the first three or four months of the year because the eligibility cutoff date for age-class hockey in Canada is January first... We start recruiting hockey all-star squads when kids are nine and ten years old. But of course, when you're nine years old, the best one is the oldest one. So all you do is you choose the kids who were born closest to the cutoff date, and then you give them special coaching and put them on all-star squads with extra games and practice until eight or nine years later when they really are the best.

— Malcolm Gladwell

December, 2018. Netflix releases interactive story-film *Black Mirror: Bandersnatch*. In one scene, viewers choose whether or not to smash a cup of tea. Data analysis find that watchers in countries that commonly drink tea are much less likely to break the cup compared to America or other tea-stricken countries. Does our hometown determine whether we clobber a virtual tea cup?

Towards the end of middle school, our teacher asked us to make up a science experiment for the semester. Rebel pre-teen at the time, I decided to grow some grass that listened to Skrillex.

In the control group downstairs, I grew a normal pot of grass that grew straight up, as expected. Meanwhile, upstairs, I grew an equivalent pot of grass next to a speaker blasting *Bangarang* 24/7 for eight weeks. My parents loved the experiment.

At the end of the test, the grass exposed to constant heavy-metal EDM leaned about 45° away from the speaker. The green strands physically ran away from the music.

Clearly, our birthplace ought not impact whether or not we chuck a cup of tee in a virtual show. But our environments have very real impacts on our choices. Everything around us—and not around us—impacts our growth and thus the directions of our lives. When we blockade masses of people from capital market participation, we indirectly impose legitimate contributors to their behavior since we're implicitly limiting their ability to access quality investments.

Imagine, if this applies to you, your life without any investment portfolios. What would your saving strategy look like? Money in the bank? What if the currency of the country you live in lost half its value last year? These questions pose very serious implications in developing nations, and quality investments very clearly fill an incredibly crucial role in bettering all of the planet, not just citizens within walking distance to a bank.

The big problem nowadays is just how complicated everything's gotten. Everything used to be simple. You have wheat; I have gold. We trade. Ditto for original stock certificates. But we quickly started trusting central banks, exchanges, and the like to issue paper slips equivalent to real-world assets.

For a while, this was fine and incredibly convenient. Imagine paying for eggs with gold bars. But everything broke down when securities markets moved to electronic trade settlement. As we'll see, we effectively gave these middlemen permission to print assets out of thin air, due largely to just how convoluted the global financial system became over the last two centuries.

For instance, we'll talk about an institution called "Cede & Co." throughout this book. There exist many firms equivalent to Cede outside of US markets. Basically, in 1978 in the RITHMRFOC Convention TODO, all the first-world countries came together and agreed that each nation should have but *one* securities clearing & settlement provider. After that, the momentum these settlement hubs gained naturally blocked any competitors from entering the space, in part because the securities excahnges themselves own the settlement companies.

All this trust in one system and just a few key players ruined our markets once these middlemen realized that they could "get the numbers wrong" and nobody would do anything about it, as referenced by Sussanne's work in the intro quote to this book.

Perhaps we start off with how convoluted everything is... and then map that out to Cede overissues

Story-describe how ECNs/ATS came to be

-> wrap all that into inequal global access to the great financial system & how we much change that now more than ever

04

Retail Investors: Doomed from Day 654,288

Capital markets are supposed to facilitate the efficient formation of capital to support the expansion and growth of business and the creation of employment and prosperity for all of society.

But these days the exchanges are all for-profit businesses, and they all seem to be beholden to their best customers... who have the least to do with the purpose for which markets actually exist in the first place.

— Erik Townsend

May, 1792. Two dozen bankers huddle anxiously under a shady buttonwood tree in New York. They sign a price-fixing memo for minimum stock-exchange commissions to 'promote market confidence.' Within a decade, a majority of US equity trades go through these 24 men. They eventually consolodate who we know know as the NYSE.

This monopolistic coalition layed the groundwork for flaws in modern access to financial markets, systematically encompassing trading only to those on good standing with what became the NYSE.

It took nearly 200 years for the SEC to abolish minimum fixed commissions —admittedly partially enabling virtual trading competition—but they were too late to stop the fundamental flaws in worldwide access to capital markets six billion people face today l.

Before the Buttonwood Agreement founding the NYSE, you could walk down early Wall Street and see ordinary people trading stock, investor-to-investor. Once informed traders heard of going market rates, they stuffed cold hard cash in shareholders' jackets in exchange for paper certificates. In fact, a particularly large coffeehouse on 82 Wall Street was used in place of a trading floor so often that the NYSE petitioned the National Park Service to recognize the building in 1965.

Shut the exchange down for four months due to investors abroad demanding their money after submitting sell orders that weren't honored. Namely gold redemptions

Unfortunately, almost all centralized exchanges nowadays still rely on humans to execute trades. Sometimes, people manually intervene when trades fail to deliver. This is the kind of trade Susanne referenced at the beginning of the book, and we'll speak more on these in Chapter XXtodoXX.

Other times, exchanges hire costly employees for daily operations that really ought be digitized. This immediately affects you as an investor because all market participants end up paying these thousands of workers' salaries, which means you indirectly pay these companies via fees, bad interest rates, and spreads. For instance, many of the top settlement firms employ thousands of people—all to make stock go from Alice to Bob. We'll detail how to circumvent these expenses in Chapter XXtodoXX.

"See you tonight," shouted Thom McMahon to his father. It's June 3, 1968 in a blazing New York City, and the young man is giddy gitty on their fourteen day working for the New York Stock Exchange this summer. Just three years earlier, the futures clearinghouses, including NYSE Arca, decided to give their desk clerks the summer off. Rather than work, these employees were encouraged to recruit their kids and their friends to come work for cheap and gain experience on the Street. For Thom and Rob, that means running expired silver, gold, and grain futures warehouse receipts from the trading floor to contract warehouses just a few blocks north for physical settlement every Friday.

Thom's dad took him to Wall Street to work the Exchange's summer program three years ago. Along some hometown peers, Thom, just 13 at the time, processed stock transfers, shareholder letters, and more in the mailroom. By 16, he was physically settling commodity futures warehouse receipts with an army of other young men.

Each boy loads their satchel with hundreds of millions worth of bearer warehouse receipts and starts down their route. That meant Thom, at any time, could walk into a bank, turn over the papers, and walk out with a truckload of gold, no questions asked. Similarly, anyone who robbed these exposed, adolescent kids stood to walk away with a lifelong fortune in untraceable precious metals.

As mentioned, the SEC abolished fixed commissions in response to public outcry against fee discounts for institutional traders. After effectively ending a two century noncompeting monopoly, trading volume quintupled almost immediately. And that volume steadily grew as new investors poured into the markets.

When we lower the cost to invest, we fundamentally open the markets and thus compounding asset growth to potential investors who might not have the cash to pay trading commissions. Things are changing, no doubt, in a world where most brokers charge no commissions on normal trades. But these companies aren't charities, and there exist legitimate costs from real centralized middlemen to execute securities trades. Subsequently, these firms pass down these expenses to shareholders in the form of other fees or *spreads*.

Remember at the beginning of this book when I told you about how we paid upwards of 60% in spreads on some moderately exotic futures contracts? Image that kind of immediate loss, but at a smaller scale when you make any investment. Think a few pennies on this trade, a dozen more on another...

Those small expenses add up quickly, and even minute loses early on in a portfolio compound to significant amounts over time. For instance, my Mom held Merck stock in their dividend reinvestment program for 22 years. Every quarter, the company's transfer agent charged her a $2 reinvestment fee taken from the cash dividend. Over the years, that $8 of Merck stock, on average, doubled (likely tripled by the time you're reading this). Does that make the fee $8 a year or $24? Is it $75 a year another twenty years down the line?

The fundamental problem here is that small losses only appear small when you calculate their present value. Thus, most investors don't care about losing $15 in spreads across the fifteen long-term stocks they bought last quarter. But that isn't just $15, it's $15 *not in stocks*. So as that portfolio grows over time, these initial expenses compound to significant amounts of cash, especially in developing countries, because of these middlemen who in turn create trade inefficiencies

But we don't live in an age of paper certificates anymore. In fact, information has never been easier to validate online. And, on paper, a vast bulk of trading takes place in private off-exchange order books anyway. Why then should we continue paying fees and spreads to these middlemen who, for most investors, add little to no trading value? The problem is that almost nobody pays these fees directly outside of hedge funds contracting with prime brokers. It's the classic frog-in-hot-water tale.

The everyday investor might not notice the few-cent spread they paid on

Two centuries later, our entire financial system still boils down to central chokepoints charging fees on every trade.

At first, it started with just the stock exchange fees. Then brokers found they could bring in kick-backs by routing trades through clearinghouses. As more venues popped up, high-frequency traders realized they could send volume to their own liquidity pools and settle shares themselves, avoiding fees and increasing spreads. Slowly, every company's stock became less like a share of ownership and more like a financial-engineering tool for profit.

Those small fees add up fast when an average trade nowadays routes through a dozen middlemen, even if it doesn't look like you're directly paying them. When trading fairly exotic futures at the fund, we paid upwards of 60% commissions in spreads alone! These contracts had plenty of volume, but over half of the trade capital went straight into the pockets of middlemen the moment I pressed 'buy.'

A few key players control who has access to effectively every major security on the planet. Most investors have almost no control over trade routing, so they

The only way to 'not get screwed' is to trade directly with other. —unless you trade at the transfer agent level (more on that soon).

– That means the central broker gets a split when Alice buys your stock, the central broker cuts a spread when they internalize Bob's trade, the central broker gets a kickback when they route Charlie's trade to Citadel (at 'the best market price,' of course)

We'd be here all day talking about fraud if we really dove into all the challenges with centralized financial markets. Did you know that you can cherry-pick the lowest-priced trade over the past one second (which can be your trade) and include it in the best-price fill range? Top firms trade in under .00000012 seconds. But that's for another book.

the central broker takes in a commission when they execute pre-authorized peer-to-peer bond sale for David, the central clearinghouse charges their fee to route Erin's order to the market, the central bank running a 'dark-pool ECN' charges a Frank a fee when they sell his stock, the central exchange-run ECN pays a kickback to the central broker-dealer when they sell George's stock, the central stock exchange charges Harold a significant fee should his trade execute on their books, the central stock exchange charges Ivan hundreds a quarter for simple stock data through his central broker, and all involved central participants get to centralized settlement fees to NSCC/DTCC passed on to investors. Isn't that wonderful?

But hey, throw aside all the challenges most of your shareholders regularly deal with. Ignore the fees they pay that never end up invested in your stock. What does all of this really mean for issuers?

Urban Casavant was a relatively modest boy growing up. He made his way through Ontario, Canada working odd jobs that got him by. Casavant started working out of high school, just as his Dad expected... (some more on his backstory. **This is important** I just don't remember)

On August 24, 1996, Urban walked into a pub for his usual drink. He'd been here every weeknight for the past week, every week for the past three years. This was his euphoric release for the evening. Then, out of the corner of his eye, Urban saw a man he'd never seen before.

XXX was a small town, and Urban wasn't used to seeing tourists. Indeed, Urban never saw this man again after that fateful night. Pint in hand, Urban walked from the bar to the inquisitive man's table. "This seat taken?" Urban asked the foreign gentleman. The man's silver blazer lightly glistened in the dim barroom. Urban tuned out the outside world when the man obliged.

Across from the man, Urban asked what he was doing in town. "On the hunt for diamonds," YYYY retorted. Urban was shocked and asked more and more questions like a child uncovering space exploration. As the hours dwindled by, Urban gingerly *relaxing* into the leather bar seating as the man told him stories about a mega-diamond monopoly called Debor's. "They harvest massive diamond hauls, but they keep it all locked up and only sell a very small amount each year," claimed the stranger. Urban learned how the Company relentlessly advertised through Hollywood to convince everyone they must marry with a diamond ring, pocketing billions selling diamonds that weren't even that rare.

Then the man detailed how Debeers usually contracts out its mining operations, but they'd just bought out a nearby Canadian mining firm. "Why would they buy out the mine [which controlled hundreds of acres in Canada] unless they expected huge profits?" queried the man. Urban left the bar late that night, enchanted by the opportunity of mining nearby diamonds.

Urban quickly learned that Canadian mineral rights expired if their owner didn't pay timely fees, and the next person waiting on the land could claim them. He drove out to Canada and started buying mineral rights the day they expired. Often, he was the only person there, and the sales were given to the first person in line. In some heated cases, Urban reportedly hired mammoth bodyguards to prevent others from standing in front of him in the buyers' line via physical intimidation. Over a year, Urban acquired the rights to 12 million acres of land, most of which was right alongside Debeer's diamondiferous mining sites.

Urban was thrilled. He'd waited his whole life for an opportunity like this—a chance to strike it big. But mining is expensive. Weighing his options on how to proceed, a Mr. Joseph Edwards walked into Urban's life. With seemingly-impeccable timing, Joseph told Urban he could get him millions of dollars through stock sales. "Great, that's exactly what I need!" Urban likely though.

Joseph had him fill out some paperwork about his business on October 1, 2001. On October 2, "the loan...”” -> and on Octovv 3 Urban Casavant took his diamond-mining company public through a reverse merger. ‘CMKM Diamonds’ hit the OTC boards.. .f. .f

sec-revolving-door-cartoon.png

05

The Problem with Central Points of Failure

Technical breakdowns have caused three Nasdaq trading interruptions in the last few weeks. The most recent interruption lasted 34 minutes on Monday afternoon after a squirrel chewed through an electric company's power line and the stock exchange's own backup power system in Trumbull, Conn., failed to kick in.

— *New York Times, 1994*

A similar incident happened on Dec. 9, 1987, when a squirrel chewed through a power cable in Turnbull [which] set off a sequence of events that shutdown trading on the Nasdaq for nearly an hour and a half.

— *Reuters*

May 7, 2015. A senior programmer at NYSE logs into the Exchange's production codebase. They're making some "routine updates" that ultimately cost the market hundreds of billions in shareholder value.

A few branch merges here, name changes there, and slight tweak in order input code. Within an hour, the technician completes most of his work.

The next morning, nobody can submit trades.

For nearly four hours, manic investors stare in horror as their investments crash with little recorse. It's the same heartwrenching feeling I had waiting for that money to move into the futures account while the trade quickly slid away.

-> flash crash

-> June 1 2005

-> facebook offering

(don't forget the time they stoipped letting European investors withdraw their money because of the war)

Ted Weisberg, who has traded on the exchange floor for nearly five decades, said his brokerage firm, New York-based Seaport Securities, was able to keep trading on other exchanges, which were not affected by the glitch.

"It's not the first time, and it won't be the last time," Weisberg said. "You rely on computers, and computers break."

06

How a Dozen Hidden Middlemen Cost You a Fifth of Your Portfolio

Net return is simply the gross return of your investment portfolio less the costs you incur. Keep your investment expenses low, for the tyranny of compounding costs can devastate the miracle of compounding returns.

— John Bogle

Every time you buy stock through a traditional broker, your trade winds through an average of 11 middlemen. That's nearly a dozen firms with thousands of employees, significant infrastructure costs, and mouths to feed back home. These firms aren't charities. You're paying their bills, whether you know it or not.

Most people don't really know how the stock market works. Even good traders don't know the intricacies of securities clearing. Hell, I didn't know about half these middlemen until two years into our fund when I started getting very strange spreads.

Most of this book comes with stories, cheerful parables, and strong moral intentions. Not this chapter. This is your investing "hell week." And you'll leave stronger than a vast majority of retail investors.

At the end of the day, what you invest in is just as important as the systems you use to invest. The wrong choice here can cost you hundreds of thousands down the line. And most people systematically default to the wrong choice.

Everything would be easier if we just traded stock with each other, no middleman needed. Simple, but impractical given 19th-century tech. So first came exchanges. Then they say the paperwork was too much to handle in the 60s. But, in reality, they didn't want digital direct stock registration (that would compete for business).

So they built their own middlemen to adopt computer technology. Eventually, these new intermediaries consolidated into the Depository Trust and Clearing Corporation in America. We'll use that nomenclature hereafter. Essentially, they charge the exchanges to actually move the stock and cash between trade participants.

Notice, very significantly here, that the largest market participants chose to add their own intermediary to innovate trade clearing, rather than improve existing transfer agents.

In 2003, LCH Clearing (think the DTCC in Europe) bought out a competing clearinghouse. It was supposed to be a quick two-year transition, firing all the old employees and taking over the grandfathered accounts. But CEO David Hardy ran into trouble. In a 2005 letter to shareholders, he said all the trading systems "required simplification." Feeling inept for the task, David, one of the most experienced financial leaders in Europe, requested his resignation. If the people running the system can't even make it work, then who can? The answer came from an unlikely source that wasn't a bank, broker, or clearinghouse.

It all started because brokers got sick of paying huge fees to exchanges every trade. After all, clients paid $100 for each trade, so how could brokers expect to waste 36¢ on quality order fulfillment? That's valuable shareholder profit, after all.

Thankfully, one man found a way around all the red tape of operating a national securities exchange. In 1993, a legendary computer hacker named Jerome Pustilnik put together an elementary clone of the exchanges, under a different name. In essence, anybody he trusted—the brokers at the time—could submit trades to his computer. Then the computer would match trades and send them to the DTCC.

Regulations eventually named this mechanism an Alternative Trading System. They effectively let anyone with a server and the proper connections to run their own version of the NYSE.

Turns out Jerome wasn't starting a charity, and he learned that you could charge brokers just a little bit less than the exchanges for trade matching. Then he made a breakthrough that fundamentally changed financial markets for decades to come, sparking almost all modern controversy around broker income streams. By SEC estimates, his revelation cost American markets billions if not more in artificial spreads every year.[1] These spreads segmented market volume, fundamentally decreased natural price-discovery speed, and increased overall volatility. . . all in the name of a few hundredths of a penny per trade.

What caused all this? Jerome started paying brokers for their trades, and they just couldn't resist.

Remember, Jerome was't some big magnate when he started. His plan to pay brokers for order flow was simple, yet revolutionary. He segmented trades that added liquidity from those that took liquidity. That meant limit orders that didn't immediately executed got special treatment over market orders filling static quotes.

But market makers rarely execute trades immediately. In most cases, that meant institutions profited while retail traders foot the bill.

Jerome's plan was deceiving simple, based entirely on human greed. I'll use marginally larger numbers here to explain it with clarity.

First, Jerome pays anybody that adds liquidity to his ATS 4% of any executed trade value as a kickback.

[1]Cite proper study here.

That means that a market maker can put in a buy order at 10, but really pay only 9.60 after the rebate. Then, Jerome turns around and charges whoever executed against the quote a 5% "taker fee." That means your retail trade at 10 actually costs your broker 10.50. Jerome pockets the 10¢ difference between the 50¢ he charges and the 40¢ he pays in kickbacks.[2] Notwithstanding, your broker doesn't pay that extra money out of charity. Your retirement account foots the bill.

Once market makers realized they could make way more money using Jerome's incredible new system, they eventually pulled as much of their liquidity as possible away from the exchanges to put on the ATS (now commonly called Electronic Communication Networks). With all the best offers and bids on the ATSs, brokers had no choice but to route trades to Jerome and pay his fees.

Then everyone copied Jerome. Offered more money for liquidity, they made the fragmentation problem even worse. Nowadays, there are dozens of these ATSs where your broker could route a trade at any time off an actual exchange. The weirdest part? Exchanges actually bought up many of them, but kept them operating to rake in profits at your expense.

Of great importance here is that all trades matched on an ATS get sent to the same DTCC to actually switch hands after matching. That also pushes all trade problems down to the DTCC, far away from

[2]Exaggerated numbers for clarity.

their originating buyers and sellers.

How far away? What problems? To truly understand, let's walk through av average stock trade nowadays.

First of all, we'll submit an order to a broker. Here's what they do:

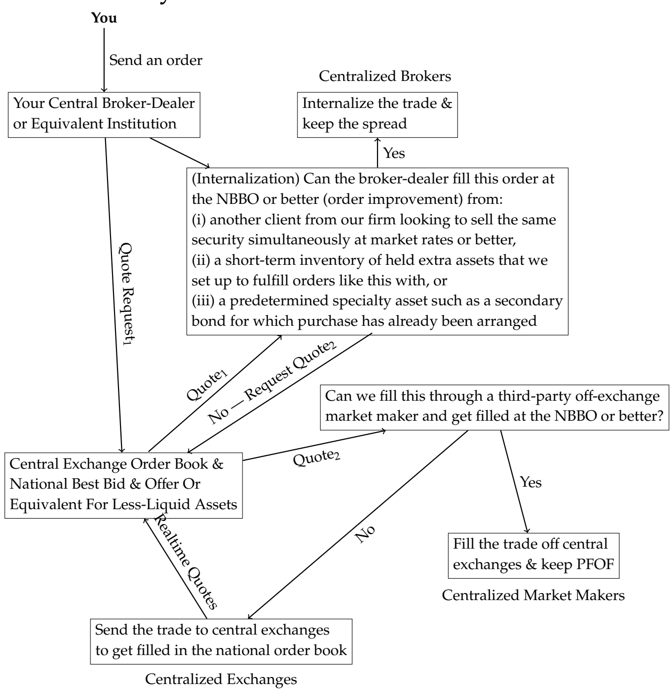

Diagram 2: Inefficiencies Of Execution In Centralized Markets

Yeah, it's a lot. And that's not even the half of it. And all this makes a huge difference in the fees and spreads you pay on every trade.

Nowadays, brokers have to route your trade at the "best available price," which means tons of data aggregation against all trading venues. But here's the real kicker: they only need to match the "best available price" across the preceding one-second window. Say you're buying a stock that traded between 9.97 and 10.03 in the last second (top firms trade in under .00000012 seconds).

Your broker only has to match the 10.03 price, even though you might see 9.97 on your screen—even if only one share was traded at 10.03 by an HFT to intentionally increase the one-second best bid.[3]

That pricing data comes from yet another intermediary called a Securities Information Processor. The exchanges feed their data to these SIPs, which they control. Then the network sells trade data for hundreds of millions a year to brokers who extract that cost from your portfolio.

But say your broker doesn't internalize your trade or receive a direct bid from a market maker on an external ATS. Then you get to the post-routing market in Diagram 3 where most trades execute. Just under two-thirds of this volume flows to dark pools in American markets.

[3]Cite via *SM*

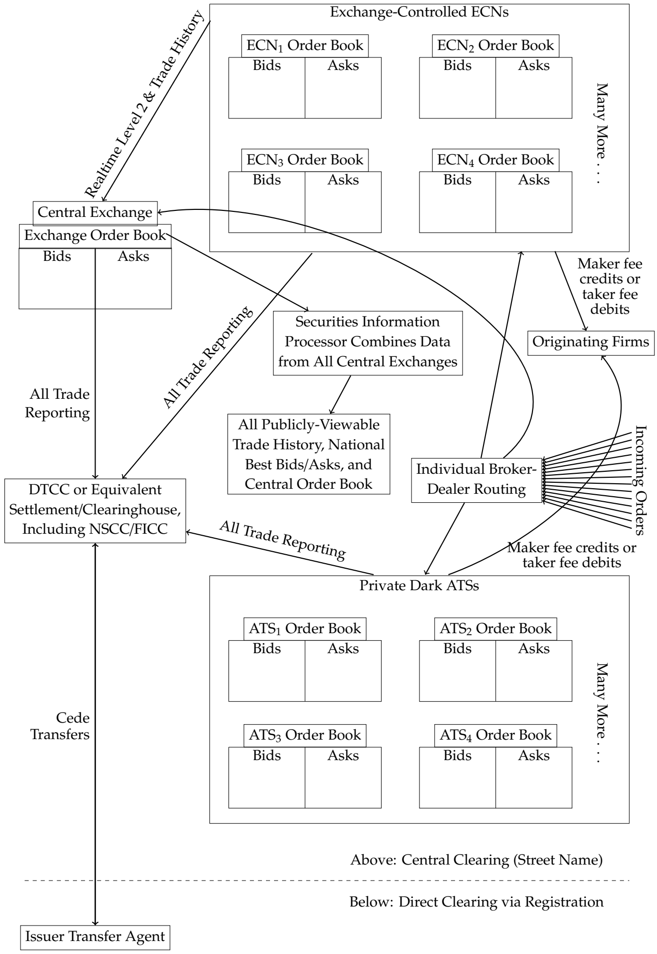

Diagram 3:
Inefficiencies of Order Book Liquidity in Centralized Markets

Once the routing firm gets your order from your broker, they scan all market exchanges and ECNs for the security. Most exchange data come from SIP subscriptions. The rest comes from ATS memberships once they attract enough volume. Notice that this is the third time a middleman queried the market price to execute your trade (your broker internally executes the first two).

While waiting for three queries, the one-second price window generally widens, giving the order router much more leniency in the "best available price." The leniency is crucial because the router doesn't want to pay hefty fees to trade on an exchange directly. They're after cheap or compensated execution on an ECN because they don't get paid based on fill quality.[4]

As mentioned, the exchanges bought up some ATSs over time, but there are still private ones that don't report back to the exchanges. Hedge funds flock to these "dark" ATSs when they want huge trades filled with nobody any the wiser for a few hours. Nowadays, more trades take place here than on exchanges or their ECNs.

Big problem: dark ATSs reference exchange "best prices," even though their own trades aren't on the public order book. That means they can execute trades at prices that aren't truly reflective of market sentiment—bypassing price discovery and undermining your investments.

I remember trading Zoom Video one afternoon. Early in the morning and throughout the afternoon, I saw massive sell orders of the stock on my dark-

[4]Cite Apex fee schedule

pool screener. But as big players dumped millions of shares on the market, the stock kept steadily running up. Towards the mid-afternoon, it got to the point where huge sell orders would pop up in the dark time and sales at low prices not seen since before lunchtime. Then, out of nowhere, news broke that Facebook would offer a gratis streaming service to compete with Zoom. In minutes, the stock lost a tenth of its value. The zero-DTE puts I was trading went from one penny to four dollars as the stock plummeted.

That's what happens when we let brokers and institutions trade on platforms that don't recognize true market prices, instead actively prohibiting investors from agreeing on stock values by drawing volume away from the public eye.

Financial markets are broken not just in access problems for the impoverished abroad, but also in the ludicrous number of middlemen that process an average trade nowadays. We can fix these problems by passing regulations to streamline markets at the expense of middlemen profits (unlikely) or collectively trading beneath central clearing directly on the books of public corporations.

07

We (Accidentally?) Started Printing Shares out of Thin Air

CMKM Diamonds used the money they raised to sponsor professional racecar venues, track motorcycle events, and even billboards promoting their stock to the investing public, prosecutors alleged.

Figure 07.1: Dragster sporting the CMKM stock ticker.

In the background, Urban and a dozen other named defendants issued hundreds of millions of shares to themselves, family trusts, and over fifty controlled companies. Many of these entities were created before the initial reverse merger solely to receive CMKM stock to dump on the market. And dump they did. Current lawsuits estimate that the firm sold over 220mm worth of stock before the SEC halted the company.

The problem? **Shareholders had no clue about the total outstanding stock.** Many thought the firm only had a few hundred million shares in the market, so they were excited when the Company declared they were buying back millions of shares. What shareholders didn't know was that the Board simultaneously issued tens of millions of shares to insiders who quickly dumped them on unsuspecting investors, pocketing huge profits. That's what happens in untransparent, centralized markets.

As revealed by evidence seized just one day prior the official joint SEC/FBI investigation, CMKM's transfer agent approved many of these malicious secondary offerings through falsified attorney opinion letters held on the books. **And nobody outside of the C-suite could audit those transfers**. Furthermore, shareholders who physically called the transfer agent asking about total outstanding shares were allegedly hung up on immediately. Thus, effectively no shareholders knew of the true (growing) number of outsing shares.

Before the stock became worthless, hundreds of billions of shares were uncovered outstanding, and trillions were found floating in the market through failure to delivers per faulty centralized settlement. The CEO's attorney recommended he flee to Germany, Switzerland, or Australia.

Your transfer agent should transparently disclose your live number of outstanding shares so anyone can instantaneously value your stock. Anything less destroys your investors' confidence. Restricted amounts and treasury stock are a bonus.

Do your shareholders know at an instant how many shares of your stock are outstanding directly from your transfer agent, or are potential investors making valuation guesses based on your last quarterly report?

Twenty percent of Overstock.com, Inc.'s circulated unrestricted shares in March 2006 simply did not exist on the actual corporate books, and more stock was traded than actually existed for well over 800 days due perhaps solely to the traditional opaqueness of centralized registers. When you trust a majority of your stock to Cede under DTCC, they let NSCC make these elementary accounting mistakes over and over with zero recourse.

Perhaps investors could more easily spot impending value plays such as the January 2021 Gamestop short squeeze[1] wherein a reported 26% of GameStop Corp.'s circulating unrestricted shares simply did not exist on the corporate books. Transparent record-keeping removes this erratic volatility and promotes gradual, sustainable growth.

With honest central middlemen, markets operate efficiently. We grant our trust and pray Wall Street acts honestly, but monopolistic power corrupts over time. Good-faith actors often take advantage of loopholes, silently robbing investors blind. Most market participants operate on incomplete or incorrect information about the total number of shares for any Company, thereby allowing more shares to trade than actually exist (thus lowering the valuation of your company per a higher supply of shares with similar demand). Though there was no obvious remedy for this chal-

[1] A market movement which many speculators tried to invest in based in large part on two numbers reported weekly with major delays from centralized market accountants with little incentive to equitably distribute information.

lenge over a century ago, blockchain has changed the way we approach accounting guarantees—and so too should our financial markets.

By the time central brokers actually send

08

Cede broke beneficial ownership, but your book-entry holders are safe if they do this

"When the Exchange went from not-for-profit to for-profit... the utility function of the marketplace of the exchanges disappeared. Because once you... flipped the switch to make these exchanges, not utilities, but for-profit vehicles, now you have shareholders to answer to... and obviously the largest customers are the HFTs."

— Mark Faulk

Doesn't that seriously hurt your credit?" I burst out to Abrahim Ladha. "No, no! It's okay," Abrahim reassured me. "You just keep sending in fake numbers and they'll go through the same collection process over and over again."

Abrahim was describing how he'd avoided paying medical bills on his *broken arm* for two and a half years.

The trick, he revealed, was that it took weeks to verify insurance numbers, so you could just make one up. By the time the hospital figures out the error, they just mail you a request to verify your insurance number. "Just send them another fake," Abrahim decreed, and it's another few weeks of processing. Rinse and repeat. You've got free surgery. They just keep sending the same notices.

When Abrahim and I first met virtually after covid, his room was completely lined with thermal insulation panels trapping in heat. It looked like the inside of a space station. "I never have to pay for a heater," Abrahim gleamed.

Among other savvy discoveries, Abrahim also learned that his utility company wouldn't disconnect his apartment even if he didn't pay his power bill. He received "final service termination" notices for months before he moved, but his electricity never wavered.

Systems crumble when incentives disallow best operating procedures. An underpaid secretary follows a checklist for how to handle invalid insurance numbers. An engineer at DTC imports daily settlement failures and asks participants to make good on their trades, but failures to deliver just renew the next morning in a new debit position when they don't pay up.

Abrahim's exploits of the medical system starkly parallel the last stock certificate pull in US history, a request so large that it fundamentally changed exchange depository agreements with Cede & Co. and stopped anyone else from ever again requesting cert pulls on listed securities (forced book registration of 'all' shareholders). That call alone sparked dozens of indentures, subpoenas, and class actions for over a decade.

The year was 2001. CMKM Diamonds just went public in August. The offering seemed normal to executives, but it was poisoned from day one.

"You've got to be kidding me," Charlie burst out with a completely vacant face. Charlie was the CFO of CMKM Diamonds. His righthand accountant Matthew had the first quarterly trading report from ADP, and he couldn't believe what he was seeing.

$DMND went public at 10¢ a share, but the stock just closed at 22¢. Everything looked great, but Charlie was unwithered by something far more curious. The company had 814 million shares authorized, and their offering left 700 outstanding. Yet Charlie stared at the screen dumbfounded and saw 718 million beneficial shares held by all beneficial accounts.

Charlie, enthralled, ordered his secretary to dial CMKM Diamond's DTC rep. "How is this possible?" Charlie yawped to Mike. But Charlie hadn't seen anything yet.

The thing about Cede & Co. is, even today, brokers can fail to deliver shares, creating the well-known Phantom Shares phenomenon. That means, for instance, Knight Trading sells 400 million shares via

Shwab to retail investors at Ameritrade, but they never actually have those shares. That's "illegal," but there are so many loopholes around the loosely-enforced "legislation" that nobody bats an eye. Entire engineers' jobs consist of emailing brokers with a big spreadsheet of all the shares they've failed to deliver, but nobody actually makes them deliver—ever. In other words, brokers sell thin air for cold hard cash.

This impact of these self-interested brokers selling nonexistent stock reaches all corners of financial markets and, for instance, principally led to the Gamestop short-squeeze fiasco in 2020. But no other security exposes the damage caused by these thefts ore than CMKM Diamonds. From the onset, brokers were reportedly betting against CMKM by selling millions and millions of shares with no intention of ever delivering them. "The company is worthless. Let's drive it into the ground," speculative floor trades reportedly exclaimed. And sell they did. From 2001 to 2004, the brokers, chiefly Merril Lynch, Schwab, *Ameritrade.......*, sold 9 trillion shares of CMKM. "That's more than 10 times the actual amount of stock issued," the CMKM Diamonds CFO likely shouted. It drove their stock straight down. The company lost *99% of its value in three months.*

When thousands of shareholders petitioned their brokers, the SEC, the FBI, and more to do something about the rampant "illegal" selling, they did nothing. When shareholders asked the *FOIA* to release public information about the failures to deliver, they did nothing. Almost everything we know about the trading in CMKM comes from two data sources updated quarterly with comingled information.

When CMKM requested effectively the last US securities certificate pull, they said "we force all shareholders to withdraw their stock to the transfer agent for direct registration." Clearly, this breaks the entire game. Remember, a few extremely large participants collectively made hundreds of millions of dollars selling billions of shares which the price was high. Now, they were just waiting for shareholders to cut their losses or CMKM to go bankrupt. For those who didn't sell, the company was forcibly delisted in 2005 per the cert pull.

Here's what that meant for shareholders:[1]

"All shares of CMKM have been deleted from my account at [broker]."

Canadian Investor, August 12, 2006 12:17 PM

I have 4,500,000 shares of CMKX that are in a Roth IRA in [broker]. I called [them] and it will take longer than the May 15th deadline. *"They said it will take 4 to 6 weeks. Also they said I might need to fill out additional paperwork to see if I am even able to get a certificate form."*

April 30, 2006 9:29 PM

"I requested my [certificate] on November 11, 2005 from my broker and still have not received it. I was told at that time that it could take three to four months... [middleman] has called and written [them] as well as [clearinghouse] demanding my cert but to no avail...

[1]Quotes from *Naked, Short and Greedy*. See Acknowledgements. Brokerage names have been redacted.

Their records only show one cert being delivered which I have received and filed with the task force. *This cert was from another brokerage account."*

April 21, 2006 8:48 AM

I have 24 Million shares of CMKM stuck in my [broker] Rollover and Roth IRA accounts and I am being told by [broker] that I have to open [another] account with $2,500.00, minimum deposit... *"I am in Iraq and I do not have a normal telephone number [to contact support]."*

U.S. Serviceman, August 12, 2006 1:20 AM

"I got several shares of CMKX in the past and beginning of this year, they were all removed from my account by [broker].... I contacted several times to find out what will they do in order to get my new Entourage shares? The answer was: they do not take any responsibility to reclaim from CMKX management... So I feel trapped.... *I am living abroad and it is difficult for me to intent any process to get my shares back..."*

July 25, 2006 7:24 AM

"I've emailed [broker] several times asking about the delay and I get a different answer from them every time. *Excuse 1 (Jan 19).* We have not received the cert from the TA... when we get it we will mail it to you. *Excuse 2 (March 3).* We are in the process of separating and addressing the certs. It should be mailed to you the week of March 6. *Excuse 3 (April 7).* It was an oversight and the cert was never processed. We will re-request and process as soon as possible. There should be no additional delays... *I've been told that I will have the cert by the [May 15th] deadline, but I now have my doubts."*

April 28, 2006 11:33 PM

Because more shares were traded than existed, a large percentage of shareholders just straight up had their positions **deleted**. Cede & Co. can lie

$_{}TALK_{A}BOUT_{T}HE_{S}RO_{T}HING_{F}IRST-_{,buttransferagentsarestrictlyregulatedbytheSECandsimplyfacelegally-forcedclosu}$

* * * * ** * *

Before electronic settlement, this didn't happen. Trades cleared by hand. I sign over the certificate to you, and we walk our separate ways. That all changed in the 70s with digitization, and abuse took off in the late 90s, never declining. Citigroup and another large investor literally sponsored a NASCAR driver and just advertised "buy $CMKX stock" on the car. They allegedly pumped up trading volume and pocketed millions selling shares they never delivered. Talk about securities fraud.

But the people who enforce these settlement laws are the same ones who break them. At a high level, executives at DTCC are supposed to regulate DTCC, and nobody else lays a finger on them. Would you arrest yourself for illicitly making $927 million a year with no punishment in sight? They're selling physical bitcoins.[2]

The problem boils down to transparency. As mentioned, there is no law requiring public access to failure-to-deliver data, which means brokers can keep driving down prices via the equivalent of naked short selling, even today. Not only does this hinder the growth of every stock in America since this happens everywhere, but it also makes it very difficult for

[2]Fraudsters used to regularly pull off this scam, pawning off fake gold Bitcoin "coins" for thousands each.

institutions to accurately value a company. When investors assume more shares exist, that means EPS numbers and the like are simply less impressive, despite massive internal productivity strides.

Now contrast all that with transparent public blockchain accounting. It's just like paper accounting... but digitally accessible to anyone and secured by cryptography. All transfers are direct from peer-to-peer. You get the share or you don't—there exist no 'failures to deliver.' With blockchain, you know in seconds who has which shares, when they got them, and the amount outstanding. It's always one transparent ledger, which eradicated fraud and skyrockets investor confidence.

The first key to creating new book-entry shareholder value is visibility. Today, your shareholders can't see your master securityholder file. They have no clue who's registered on your books, outside of Cede & Co. or Broadridge's costly, often-delayed, almost-always-incomplete disclosures. By maintaining your master securityholder file on a transparent public blockchain that anyone can audit online or offline, you ensure shareholders know exactly what's going on with their securities. No need for annual account statements when you can see everything live on the blockchain.

Increased transparency means more investor confidence, namely in executive leadership. When shareholders no longer need to search for hidden-away Form 4s to see that the c-suite still holds on to a lot of their stock, they can more accurately display approval of your company on shareholder votes for executive placements and compensation while simultaneously increasing investment into your company based on newfound trust in leadership. That also means book-entry shareholders provably can't push down your stock by selling million of phantom shares. When we're truthful with each other, beautiful things happen.

February 3, 2005. Robert Simpson reports to the SEC that he's acquired 100% of the shares of Global Links Corp, plus another 145 unissued shares. Over the next month, over 95 million shares (82 times the total issued shares) were reportedly traded over the counter, none of which were reportedly sold by the 100% owner of the common stock.

On March 4 and 7, Paul Floto bought another 15% of Global Link's stock. In his SEC filing, Paul wrote that he, "requested that certificates be issued [by the transfer agent] to me representing my full 15.54% ownership interest."

-> TAs can't just lie -> record differences

THIS CHAPTER NEEDS CHARACTERS

///

Dick Wayney walked into the conference room ready to deliver the blowing news. He stood up at the front of the room and, completely barren of spirit, read aloud: "4.4mm votes for Proposition 1. 22mm for Prob 2..." Thing is, this was the Bank of America annual shareholder meeting, and they only issued 10mm shares. The same flaws in centralized settlement we saw last chapter poke up again in brokerage proxy collection and representation. But that's not even the most intriguing part.

Get this: federal laws don't *litigate* what brokerages do when they get representative //entitles shareholder votes. So say Fidelity gets 11 million proxy votes, but they only have 8 million book-registered shares. Not only can Fidelity just report 11 million votes anyway, but they can also lie about those votes. So if someone at Fidelity really wants to fire your CEO, they can just say that every proxy they have voted to fire him this year. If a few firms commingle, that could mean danger for your Board. Not to mention, 'entitled' shareholders with fake stock can also show up and further increase the number of shares voted past the amount outstanding.

The second key to creating new book-entry shareholder value is democracy. Today, your proxy voting effectively looks like a result popping out of a black box. "Whatever DTC says the voting came to," or the equivalent for proxy direct, *Broadridge*, and the like. By holding book-entry shareholder votes on a decentralized, transparent blockchain, you ensure all shareholder voices are heard. Once you can directly tie an account to their vote right on the blockchain, you not only drastically increase shareholder involvement in proxy votes, but you also radically cut voting fraud because anyone can count up the votes on the blockchain and verify outcomes themselves. That means transparent, newfound turnout records and no more senseless rejections of new incentive plans.

09

Brokers Have Conflicts of Interest With Their Clients (And the World)

10

Opaque transfer agents enable terrorist financing, but you can put an end to it this month

"The very foundation of our free enterprise system is in jeopardy."

— Mark Faulk

June, 2015. Homeland Security Inspector General John Roth releases a report detailing how 'Red Team' agents successfully snuck mock explosives and weapons through 67 of 70 tested airport checkpoints. Terrorists abroad reveled.

Transparent security too often means life or death. In Roman times, some leader would direct their generals to attack or maintain their position. If a corrupt general lied to others about orders to stand ground, they could send a single battalion to their deaths in an unbalanced massacre without backup. Today, bad actors fund

Opaqueness in today's financial markets fuel terrorist financing through under-the-radar asset transfers.

Julio Nivelo walked down Manhatten as the gentle Summer breeze brushed against his cross-grained, rosy cheeks. An immigrant from Ecuador, this was his third illicit crossing to the States, and we loved every second of it. Bunking with a married woman he met by chance, Julio loathed the everyday hustle and bustle he found in America. The pressure and distractions kept him on course, reportedly reminding him to notice little things like falling leaves and budding plants. These natural beauties often encompassed Julio's walks through Central Park and brought back kindled memories of his mother. He was in paradise, and a lack of legal work ethic wasn't about to stop him.

As Julio turned another corner on September 29, 2016, he felt the subtle cracks of the crumbling New York sidewalk beneath his soles. He still remembers some of his first heists. One time, he struck up a conversation with a deliveryman adjacent to a busy intersection. When the driver momentarily walked away, Julio snatched a box of floppy disk drives and fled the scene. As he strode down busty streets, onlookers likely thought he was just let go from a busy office job, giving him pity as he carried his belongings home. In reality, Julio crisscrossed between local electronics stores and swiftly paid his yearly rent.

Other times, Julio's sticky fingers made their way into Park Avenue deliveries. He remembers the sun calmly brushing his back one pleasant afternoon as he thrust freshly-cut diamond necklaces into his oversized pockets. The stones, pure and classy, glistened momentarily as Julio lifted trays from a briefly-abandoned delivery truck. In sparing refractions, Julio glimpsed the opportunity he traversed so far to find.

Then everything froze.

Julio spotted a wide-open Loomis truck unloading curbside. Its lustrous liftgate was fully extended, waiting innocently on the ground to embrace Julio. This was the moment he'd been waiting nearly thirty years for, and Julio could feel it. His heart started pumping, priming him for the hunt.

Julio affixed his body to the nearest wall, struggling to hold himself back from pouncing after he saw the truck's cargo. Just on ahead, he saw the hallmark iron pail of a precious metals delivery. He was practically salivating over its allure. Waiting, like an eagle glaring intently before swooping down to seize its prey, Julio eyeballed the first worker as he ventured into a convenience store to service an ATM. Just a few seconds later, the driver walked to the front cab, leaving the rear unguarded. Bingo.

Julio walked past six pedestrians and clasped the bucket in front of two security cameras. He lifted the prize with all his might and just barely brought it to his chest. The iron bucket was filled to the brim with

86 pounds of gold. Within seven steps he slung the package over his shoulder. Then he just walked away.

When later questioned about the bucket, Julio said "it was too heavy." Indeed, on his brisk walk, he stopped at least twelve times to catch his breath. First-world problems, Julio. Nonetheless, not a soul cared enough to halt the raider, and he walked seven blocks down Manhattan before hopping into a white van and driving to his apartment to liquidate the gold bars, then worth $XX million.

Amazingly, Julio briefly stayed in New York under the compelling cloak of a different haircut, even visiting Times Square. Pictures show him gleaming in front of wax sculptures, chuckling at police for letting him escape. But Julio wised up as authorities started closing in on him faster than any prior heists. In a stroke of genius, he paid his brightest friend 5K to get him to Ecuador. A few hours into the trip, they were promptly pulled over for speeding. Liberally sweating in the back seat, Julio watched in awe as the officer told his friend, "it's your lucky day."

Police apprehended the 'gold bucket bandit' in his hometown about a month later on his way to the gym when he identified himself by full name to two Ecuadorian officers. Talk about a reason to push off getting in shape.

Theft was Julio's livelihood. Almost a fifth of his life up to this morning's organized walk was spent in federal prison, and he had no intentions of avoiding further sentences. Then he purloined a two-foot iron bucket that plunged him into global media coverage.

Figure 10.1: Caption

Figure 10.2: Caption

Flocks of less-educated immigrants, low-income gang members, and the like turn to intermittently-violent crime to rectify their struggles with poverty. We know that. But what stands out in Julio's story is the immediate, anonymous fungibility of the gold bars he stole. Gold that, as sold on the black market, very likely funded some illicit activities.

Key ..: Does your transfer agent run AML checks on all book-entry shareholders?

Old transfer agents and registrars struggle with manual processes everywhere in their operations. That means no KYC or AML checks on new book-entry securityholders. Rather, traditional agents generally only verify shareholder-provided credentials for cashier's checks or money orders—and most bank or agent verification only checks your identity, not your involvement with money-laundering schemes or terrorist organizations.

To put that in perspective, here's what moeny laundering looks like with traditional bank accounts:

and here's what it looks like on public blockchains:

We can make ppl good through selfless accounting: https://abc30.com/kings-river-hero-man-drowning-manjeet-singh-family-drowns-turban/6360527/

11

The Last Key Insight to Gracefully Transition from Centralized to Decentralized Records

"The transition must happen... If the transition isn't accelerating... Then you'll have the various sorts of unpredictable pathologies that generally occur when everyone is trying to get through a door at once."

— Randal Quarles

June 16, 1883. A children's magic show concludes at Victoria Hall in Sunderland, England. 1,500 children cram the theatre to its limits. MORE NARRATIVE (LESS NARRATIVE?). As the entertainers took to the stage and the magic began, none present in their seats knew that almost one in seven of the audience would not leave the theatre building alive.

Whether you like it or not, centralized brokers probably sold more shares than Cede's authorized for on your books via failures to deliver. That means a sizable portion of your short sellers would immediately need to buy up your stock if every shareholder transitioned to direct registration today.

This kind of buying pressure leads to Gamestop-esque upwards volatility, which we don't think most CFOs particularly want to deal with. Thus, you can bring your shareholders the most risk-adjusted value by *slowly* transitioning away from the flawed central bookkeeping system.

Maybe we can't immediately dissuade most investors from immediately turning to brokers to secure your issue (but often get false equity in return), but we can start somewhere. We can start with your transfer agent, which YOU control.

Thus, by slowly transitioning your bookkeeping into the blockchain, you can attain all the benefits of blockchain books without the volatility of mass securityholder adoption. Rather, just your book-entry shareholders (who don't have to do anything upon transfer) initially attain the perks of blockchain shares, and new investors can slowly buy into your stock through decentralized order books (that means registrants trade DIRECTLY with each other and settle instantly).

12

Supercharge your transfer agent this month with direct near-instant investor transfers

"If an investor could buy, sell and transfer shares of stock without a 'financial intermediary,' then the TAs would be in direct competition with the Participants, who own Defendants DTC and DTCC."

— Dr. Susanne Trimbath

"When our pay goes down, we'll know we're more efficient."

— Jerry Perullo, Intercontinental Exchange CISO

At the end of the day, very few issuers have much control over their secondary trading, especially abroad. As a firm, there isn't much you can do to tune down opaque dark-pool trading, stop abundant short-sellers, or review the diversity of your objecting beneficial shareholders. But you can control your transfer agent. Thus, you can open your shares to billions traditionally disenfranchised by centralized financial systems with one simple decision.

When traditional transfer agents force shareholders to wait weeks for their assets, piles of cash evaporate thanks to opportunity costs which translate to far too many shareholders unfairly irate with your company.

Raymond Vito was one of two people familiar with TAs that I met pitching the idea for a blockchain transfer agent to hundreds of college-educated professionals. Raymond was simply a shareholder trying to access his money. It took him four weeks and countless trips to the bank to certify convoluted paperwork and finally claim his shares and excahgne them for cash. A lot can happen in four weeks, and that leaves your shareholders with huge illiquidity risk and lost interest. He was thrilled when we showed him our systems to transfer stock in seconds, not days.

Perhaps more important than modern-era speed for book-entry transfers, think of Xelela and the billions of people like him without access to financial markets (and thus your stock). Masses of people quite simply physically cannot traverse to a bank that's too-often hundreds of miles away to get a transfer certification, turn around, and then pay months of savings just to cover transfer agent expenses. Getting a remote medallion certificate abroad can cost many hundreds of dollars in fees alone. That is more than what the bottom 10% of the people on this planet live on for seven months. Don't even get me started on arbitrary dividend reinvestment fees.

We closed down our hedge fund after its best year ever because we saw firsthand how frustrating it is to transfer book-entry securities. That was a very difficult decision. Effectively all the people I worked with, many of whom I'd spent years training, were out of a job when we closed since they specialised in asset management, not blockchain engineering or transfer-agent law.

But we knew this transition was necessary since leveraging blockchain for your transfer agent not only creates dramatic, newfound book-entry shareholder value, but the underlying technology itself also opens up financial markets to billions of people traditionally disenfranchised from investing in quality equities. That's why I'm so excited to share our invention with you.

Transfers on purpose-built public blockchains take seconds to execute with instant finality. Namely, the Stellar network—one of the largest blockchains for over half a decade by market cap that's worth billions—executes most transfers in under five seconds, with rarely any taking over ten. That's five seconds vs. five days, 24/7, completely automated through cryptography. That means shareholders can instantaneously access their assets and confidently invest more in your firm knowing that they have access to the capital they tie up.

For years, my father worked alongside a transfer-agent salesperson at Wells Fargo, watching hundreds of thousands in transaction commissions go toward his lakehouse. I think those shareholder dollars are better spent on meaningful corporate projects that create new shareholder value, not high-margin accounting. Wouldn't you agree?

I want to make it abundantly clear that this is *not* how we operate a Block Transfer. In fact, we employ *zero* commission-based sales reps and actively combat undue profits. Most clients learn of us through written works like this book or word-of-mouth referrals, and all issuers receive personal onboarding overseen by Board executives or direct reports.

Our whole organization is an open syndicate of executives and issuers that operates for the sole purpose of serving its members and thus creating equitable global access to financial markets. We offer all clients an observatory board seat because we aren't here to racketeer off traditional transfer-agent margins.

Through this guide, you've learned the key principles and motivations behind a blockchain transfer agent. Should you seek to implement such a system yourself, I recommend exploring whitepaper.blocktransfer.io where you can learn more about the blockchain technicals and regulatory systems we use to execute Block Transfer. Our Whitepaper will give your a step-by-step guide to get your own blockchain transfer agent up and running within a month alongside a steadfast blockchain engineering and transfer-agent legal department.

Furthermore, you can read our blockchain transfer agent patents, available in the public domain, to understand the nitty-gritty of acting as your blockchain transfer agent. Since you've finished this guide, I, John F. Wooten, IV, of my own free will, hereby grant you complete written permission to use the patents held under my name for use acting as a securities transfer agent solely for your own issues. You have the tools.

Alternatively, we can do everything for you. Block Transfer is a registered transfer agent, and the SEC accepts our patented blockchain bookkeeping systems. We'll take care of all your ongoing issuer compliance, annual shareholder proxy distributions, and 24/7 shareholder support. That means no more gruesome non-routine paperwork, power-of-attorney headaches, or helter-skelter account statements forced onto your IR reps.

We built out our modern blockchain interface so that users barely realize they're transacting on one of the most secure open ledgers on Earth, because we believe finance should be simple.

You'll directly tally shareholder votes on the blockchain through our streamlined decentralized voting platform, which means no central accounting point of failure and no opaque black box spitting out career-changing proxy-vote verdicts.

Moreover, your investors will transfer your book-entry securities automatically with the click of a button thanks to our blockchain-based cryptographic proof systems, which means your shareholders will get their cash in 5 seconds, not 5 days.

To secure our compliant, on-blockchain registrar and transfer agent service, reach our right now at book.blocktransfer.io

In good faith,

John Wooten
Founder Block Transfer

Acknowledgements

MOVE ACKNOELDGMENTS INTO THE BODY OF THE BOOK

Georgia Tech's incredible faculty gave me the confidence and technical ability to close down the hedge fund after our best year ever to pursue this idea. Support from Tech's CREATE-X incubator, InVenture Prize, and dedicated professors undoubtedly brought all our work to light.

Furthermore:

- Chapter 1 exists because of John Allen's involvement with the Navy Seals and skillful international reporting.
- Chapter 2 exists because of Mark Faulk's incrdeible investigative reporting.
- Chapter 3 exists because of Dr. Susanne Trimbath's unprecedented whistleblowing.
- Chapter 4 exists because of FBI Jerome's clear, thorough field reports.

Scna here to leave a book review:

John Wooten also authored *Nine to Noon*. He exclusively used that book's strategies to launch a family fund that returned over 2.4X in three years.

Even minor improvements have big trickle-down impacts.

"If only 1% of DTC trades fail and DTC settles $1 Quadrillion of trades a year, then $10 Trillion worth of trades fail a year. This is not a small number."

— Securities Transfer Association

back cover

"Michigan-based entrepreneur Robert Simpson decided to see what would happen if he bought the entire stock of one company. Using a single broker, within a couple of days Simpson had paid a little over $5,000 for ***1,285,050*** *shares in OTC bulletin board property-development company Global Links. According to Simpson, these shares were delivered into his account shortly afterwards. Yet the following day 37,044,500 Global Links shares were traded on the bulletin board. The next day, 22,471,000 shares were traded. On neither day had Simpson traded a single Global Link share... Global Links had only ever issued* ***1,158,064*** *shares."*

— Helen Avery, *Euromoney*

"And, if that wasn't enough, another investor, Paul J. Floto of Dallas, Oregon, bought another 15% of Global Links' stock just this week, and filed his shares with the SEC as well, even though Simpson had filed his claim to 100% of the shares of the same company a month earlier."

— Mark Faulk