Title: 3 ABSOLUTE GOLD MUST-READ ARTICLES — SEC ■ tEmPoRaRiLy ■ BANNED NAKED SHORT-SELLING IN 2008: SEC Chairman Cox: "These several actions today make it crystal clear that the SEC has zero tolerance for abusive naked short selling." — WEN NEXT ■ tEmPoRaRY ■ NAKED SHORT-SELLING BAN, ■ SEC v2.022 ■ ?
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As you will see below, the SEC v2.008:

* PLAINLY ACKNOWLEDGED NAKED SHORT SELLING EXISTS
* THAT IT IS BY-NATURE "ABUSIVE"
* SAID THEY HAVE "ZERO TOLERANCE" FOR IT
* AND THEN...tEmPoRaRiLy BANNED IT

Naturally, I'd like to know: WEN NEXT tEmPoRaRY NAKED SHORT-SELLING BAN, SEC v2.022?

* **ARTICLE #1:** [**https://archive.today/ZFCDT**](https://archive.today/ZFCDT) **September 17, 2008:**
* ***"SEC puts 'naked' short sellers on notice: Regulator enacts new ruling banning 'naked' short selling on ALL PUBLIC COMPANIES"*** *(all-caps emphasis my own) By David Ellis,* *CNNMoney.com* *staff writer*
* **ARTICLE #2:** [**https://archive.today/Dmnzc**](https://archive.today/Dmnzc) **September 19, 2008:**
* ***"SEC bans short-selling: Agency puts temporary halt to trading practice that 'THREATENS INVESTORS AND CAPITAL MARKETS' for 799 financial companies"*** *(all-caps emphasis my own) By David Goldman,* *CNNMoney.com* *staff writer*
* **ARTICLE #3:** [**https://archive.today/qWHah**](https://archive.today/qWHah) **September 21, 2008:**
* ***"The end of Wall Street: As Lehman's demise and Merrill's acquisition make clear, A BUSINESS MODEL BUILT ON RAMPING UP RISK AND LEVERAGE SIMPLY DOESN'T WORK."*** *(all-caps emphasis my own) By Shawn Tully,* *CNNMoney.com* *editor at large*

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>**September 17, 2008: "SEC puts 'naked' short sellers on notice: Regulator enacts new ruling banning 'naked' short selling on ALL PUBLIC COMPANIES" (all-caps emphasis my own) By David Ellis,** **CNNMoney.com** **staff writer**
>
>NEW YORK (CNNMoney.com) -- The Securities and Exchange Commission adopted a set of new rules Wednesday which would ultimately ban the practice of so-called "naked" short selling, possibly providing some much-needed comfort for financial markets.
>
>But instead of just shielding the embattled financial services industry this time around, the nation's securities regulator said the prohibition would cover all publicly traded companies.
>
>"These several actions today make it crystal clear that the SEC has zero tolerance for abusive naked short selling," SEC Chairman Christopher Cox said in a statement.
>
>Traditional short sellers borrow stock with the aim of selling it, then buying it back at a lower price, hoping to pocket the difference. In a "naked" short sale, however, investors short the stock without actually borrowing it, making it much easier to drive down the share price of a company.
>
>**Dramatic swings**

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>Some market observers have blamed the recent wild swings in financial markets and steep decline in financial stocks on the practice of "naked" short selling. Hoping to stem the sharp selloff that the industry endured back in early July, the SEC enacted a temporary ban on the practice for 17 domestic and international securities firms, along with the twin mortgage giants Freddie Mac ([FRE](https://archive.ph/o/ZFCDT/money.cnn.com/quote/quote.html?symb=FRE&source;=story_quote_link), [Fortune 500](https://archive.ph/o/ZFCDT/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/3018.html?source=story_f500_link)) and Fannie Mae ([FNM](https://archive.ph/o/ZFCDT/money.cnn.com/quote/quote.html?symb=FNM&source;=story_quote_link), [Fortune 500](https://archive.ph/o/ZFCDT/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/2434.html?source=story_f500_link)).
>
>The move helped, but financial stocks have come under pressure once again following the dramatic events over the last three days, including the collapse of Lehman Brothers ([LEH](https://archive.ph/o/ZFCDT/money.cnn.com/quote/quote.html?symb=LEH&source;=story_quote_link), [Fortune 500](https://archive.ph/o/ZFCDT/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/10312.html?source=story_f500_link)), the purchase of Merrill Lynch ([MER](https://archive.ph/o/ZFCDT/money.cnn.com/quote/quote.html?symb=MER&source;=story_quote_link), [Fortune 500](https://archive.ph/o/ZFCDT/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/2487.html?source=story_f500_link)) by Bank of America ([BAC](https://archive.ph/o/ZFCDT/money.cnn.com/quote/quote.html?symb=BAC&source;=story_quote_link), [Fortune 500](https://archive.ph/o/ZFCDT/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/2580.html?source=story_f500_link)) and a government rescue of insurer AIG ([AIG](https://archive.ph/o/ZFCDT/money.cnn.com/quote/quote.html?symb=AIG&source;=story_quote_link), [Fortune 500](https://archive.ph/o/ZFCDT/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/2469.html?source=story_f500_link)).
>
>Prior to Wednesday's announcement, industry groups like the American Bankers Association feared that the yet-to-be-announced rules may not go far enough to protect the stock price of banks.
>
>Other groups, like the Managed Funds Association and the Coalition of Private Investment Companies, which represent hedge funds and other asset managers, have opposed any permanent changes, fearing that a rule would not only limit legitimate short selling but also give an inaccurate representation of the real price of a stock.

ARTICLE #2:

>**"SEC bans short-selling: Agency puts temporary halt to trading practice that 'THREATENS INVESTORS AND CAPITAL MARKETS' for 799 financial companies" (all-caps emphasis my own) By David Goldman,** **CNNMoney.com** **staff writer**
>
>NEW YORK (CNNMoney.com) -- The U.S. Securities and Exchange Commission took what it called "emergency action" Friday and temporarily banned investors from short-selling 799 financial companies.
>
>The temporary ban, aimed at helping restore falling stock prices that have shattered confidence in the financial markets, takes effect immediately.
>
>"This will absolutely make a difference," said Peter Cardillo, chief market economists at Avalon Partners. "Short sellers are going to have to cover their positions very heavily."
>
>Short sellers borrow stock with the aim of selling it, then buy it back at a lower price, hoping to pocket the difference. The commission said short sellers add liquidity to the markets during normal conditions, but recent unbridled short-selling has contributed to the recent tailspin in the stock market.
>
>"The commission is committed to using every weapon in its arsenal to combat market manipulation that threatens investors and capital markets," said SEC Chairman Christopher Cox in a statement. "The emergency order temporarily banning short selling of financial stocks will restore equilibrium to markets."
>
>Cox said the action "would not be necessary in a well-functioning market," and is just one of many actions being taken by the government to jump-start the embattled financial markets.

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>The SEC also said it would temporarily ease restrictions on companies' ability to repurchase their stock, and force money managers to report their short positions in certain stocks that are not included in the 799 banned companies.
>
>Some market observers have also blamed short sellers for the punishing declines in bank stock prices over the past few days. Critics of short sellers have argued that some had been spreading rumors about a company while "shorting" the stock in order to drive the price lower.
>
>"In the marketplace, we need both sides of the equation," Cardillo said. "But the relaxed regulation of the SEC has led to abuses of short selling that have destroyed many, many companies."
>
>As panic began to permeate the financial markets, many investors took short positions on already battered financial companies regardless of the news that came out of the companies or the government. For instance, investment banks Morgan Stanley ([MS](https://archive.ph/o/Dmnzc/https://money.cnn.com/quote/quote.html?symb=MS&source;=story_quote_link), [Fortune 500](https://archive.ph/o/Dmnzc/https://money.cnn.com/magazines/fortune/fortune500/2008/snapshots/3515.html?source=story_f500_link)) and Goldman Sachs ([GS](https://archive.ph/o/Dmnzc/https://money.cnn.com/quote/quote.html?symb=GS&source;=story_quote_link), [Fortune 500](https://archive.ph/o/Dmnzc/https://money.cnn.com/magazines/fortune/fortune500/2008/snapshots/10777.html?source=story_f500_link)) reported better-than-expected earnings Wednesday, but dropped significantly in trading.
>
>"This decision will squeeze the shorts," Cardillo added. "Now, if there is any good news, shorts will have to cover."
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>The ruling comes after the SEC decided Wednesday [to ban](https://archive.ph/o/Dmnzc/https://money.cnn.com/2008/09/17/news/companies/sec_short_selling/index.htm?postversion=2008091711) the practice of so-called "naked" short-selling, in which investors short the stock without actually borrowing it.
>
>On Thursday, Britain's Financial Services Authority also temporarily banned short-selling for financial companies. The SEC said it is consulting the FSA in the matter.

ARTICLE #3:

>**"The end of Wall Street: As Lehman's demise and Merrill's acquisition make clear, A BUSINESS MODEL BUILT ON RAMPING UP RISK AND LEVERAGE SIMPLY DOESN'T WORK." (all-caps emphasis my own) By Shawn Tully,** **CNNMoney.com** **editor at large**
>
>NEW YORK (Fortune) -- Rumor has it that Lehman Brothers CEO Dick Fuld recently wanted to turn off the firm's signature Jumbotron, the giant panels that flash the Lehman name day and night at its headquarters in New York's theater district.
>
>Running the lights, the story goes, was costing Lehman ([LEH](https://archive.ph/o/qWHah/money.cnn.com/quote/quote.html?symb=LEH&source;=story_quote_link), [Fortune 500](https://archive.ph/o/qWHah/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/10312.html?source=story_f500_link)) $500,000 a year. But New York City rejected Fuld's plea, since buildings in the Times Square area are required to keep their facades aglow to create the arcade effect that dazzles the tourists.
>
>The lights are still on at Lehman HQ, but they're going out both for the 158-year old firm and for the Wall Street business model that it represents.
>
>Now that Lehman has declared bankruptcy, and Bank of America is buying Merrill Lynch for $50 billion, the ranks of Wall Street survivors have shrunk in the space of six months from five to two, Goldman Sachs and Morgan Stanley.
>
>With Merrill, and Bear Stearns before it, being acquired by giant commercial banks, we're witnessing the triumph of the diversified, universal banking model over the Wall Street one that focused on trading securities and advising corporate clients.

>
>Eventually, the trend will probably capture Morgan Stanley and Goldman as well. Even if they skirt the fate of their former peers, their time is past.
>
>The demise of old Wall Street isn't just about bad bets on mortgages or the hubris of Dick Fuld. It's the failure of an antiquated, risky strategy that depended on macroeconomic luck and that grossly overcompensated employees for being in the right place at the right time.
>
>**Debt and more debt**
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>The game Wall Street played relied on leveraging up the cash provided by shareholders to enormous levels and using all the debt to accumulate a giant portfolio of securities.
>
>As long as interest rates trend downward, the value of that portfolio swells, yielding gigantic returns on a slim equity base. And, with the exception of a few scary blips caused by the Asian currency crisis and the tech meltdown, that's what happened for most of Lehman's existence since it was spun off by American Express ([AXP](https://archive.ph/o/qWHah/money.cnn.com/quote/quote.html?symb=AXP&source;=story_quote_link), [Fortune 500](https://archive.ph/o/qWHah/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/2493.html?source=story_f500_link)) in 1994.
>
>Based on a huge surge in profits, the employees arrange to take compensation in amounts unheard of outside of sports and Hollywood.
>
>This model has an obvious, and fatal, flaw. Earnings on Wall Street no longer come chiefly from recurring businesses but rather from a combination of huge leverage and huge risk. When good luck turns, as it did in the credit crisis that began just over a year ago, the shareholder wealth supporting all that leverage gets wiped out.
>
>That's precisely what happened at Lehman. Its shares are trading today at around 20 cents, meaning that outside of the dividend that the firm slashed last week, Lehman managed to destroy wealth for shareholders. The employees, though, took out tens of billions in excess pay that's parked in mansions, yachts and stock portfolios.
>
>How did such a scenario come to pass? There are four key reasons:
>
>**Too much leverage**
>
>Between 2004 and 2007, Lehman swelled its balance sheet by almost $300 billion through the purchase of securities often backed by residential and commercial real estate loans. But in the same period, the firm added a miniscule $6 billion in equity.
>
>As a result, assets jumped from an already high level of 24 times capital, to 31 times. So if the total value of the portfolio declined by 3% or so, shareholders' equity would be erased.
>
>**Ever riskier products**
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>Over the years, once-lucrative businesses on Wall Street have become commoditized, including trading and underwriting bonds for clients.
>
>So Lehman, along with Merrill Lynch ([MER](https://archive.ph/o/qWHah/money.cnn.com/quote/quote.html?symb=MER&source;=story_quote_link), [Fortune 500](https://archive.ph/o/qWHah/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/2487.html?source=story_f500_link)) and other firms, pushed into higher-margin products, notably the packaging and trading of ever more exotic types of mortgage-backed securities. This allowed Lehman and others to keep profits humming. But the shift radically changed their businesses.
>
>Wall Street became far more dependent on proprietary trading and far less reliant on clients. Before the collapse of Bear Stearns, it along with Lehman, Merrill, Morgan Stanley ([MS](https://archive.ph/o/qWHah/

money.cnn.com/quote/quote.html?symb=MS&source;=story_quote_link), [Fortune 500](https://archive.ph/o/qWHah/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/3515.html?source=story_f500_link)) and Goldman Sachs ([GS](https://archive.ph/o/qWHah/money.cnn.com/quote/quote.html?symb=GS&source;=story_quote_link), [Fortune 500](https://archive.ph/o/qWHah/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/10777.html?source=story_f500_link)) derived over 60% of revenues from trading, most of it for their own accounts, versus around 40% in the late 1990s.
>
>Wall Street firms evolved into giant hedge funds. Now they're suffering the same fate as a lot of over-leveraged hedgies.
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>**Big bets, short-term debts**
>
>Unlike Bank of America ([BAC](https://archive.ph/o/qWHah/money.cnn.com/quote/quote.html?symb=BAC&source;=story_quote_link), [Fortune 500](https://archive.ph/o/qWHah/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/2580.html?source=story_f500_link)) or JPMorgan Chase ([JPM](https://archive.ph/o/qWHah/money.cnn.com/quote/quote.html?symb=JPM&source;=story_quote_link), [Fortune 500](https://archive.ph/o/qWHah/money.cnn.com/magazines/fortune/fortune500/2008/snapshots/2608.html?source=story_f500_link)), Lehman and the other independent investment banks don't have a stable base of retail deposits to use for buying securities.
>
>Instead, they rely on short-term debt that needs to be constantly refinanced. That's fine as long as the mortgages and other securities they hold are stable or rising in value and thus easy to sell. But when real estate started to slump, Lehman and its brethren couldn't sell securities they owned except at a big loss.
>
>In the case of Bear, creditors got so nervous about lending money for securities that couldn't be sold that they refused to roll over Bear's commercial paper.
>
>Lehman did have access to a newly created Federal Reserve window for short-term financing. But that couldn't save the firm because the basic problem remains: When markets turn nervous, creditors will stop lending, forcing Wall Street to dump holdings at distressed prices.
>
>Big commercial banks, on the other hand, can hold securities until markets rebound. That gives them a big edge and explains why their model will prevail.
>
>**Exorbitant pay**
>
>The Wall Street playbook calls for taking home the highest pay possible when times are good and giving none of it back when times are tough.
>
>Since the securities business is cyclical, it would make sense for firms to bank their bonuses forward so that if profits are plentiful one year but disappear the next, part of the compensation is returned to shareholders.
>
>But that's not how the Street works. The pay practices at Lehman are highly instructive. When it came to granting stock to employees, Lehman was incredibly extravagant.
>
>Before Lehman raised equity capital this year, grants of options and restricted stock left 30% of shares in employees' hands. To be sure, employees have lost billions in recent months. But they took out plenty over the years.
>
>Fuld, for example, has cashed out almost $500 million worth of stock in his 14 years as CEO, according to Fortune's Allan Sloan; that's four times Lehman's stock market capitalization as of Monday morning.
>
>In fiscal 2006 and 2007, Fuld earned a total of more than $80 million, an astounding sum for a company Lehman's size. Lehman's general counsel Thomas Russo made more than $12 million in each of those years. Top lawyers for much larger U.S. companies make a fraction of that amount.
>
>Given all of this excess, there's no way this business model can last. The best bet is that Morgan Stanley will eventually be absorbed by a big bank that will reduce leverage, shrink pay scales, fund assets with

deposits and impose strict risk controls. That's what JPMorgan CEO Jamie Dimon is doing with the old Bear Stearns and what Bank of America CEO Ken Lewis will no doubt do with Merrill.
>
>Goldman, on the other hand, has the financial strength to move in the other direction and buy a bank. Even so, the Wall Street follies will soon end. They were great while they lasted - though mainly for the hired hands.

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