

I've had a blast watching all the commentaries from the "Naked Shorts are the end of the world" cult. Bob 'O Brien and his buddies have done an admirable job of bringing attention to a problem that doesn't exist by continually shouting the same slogans over and over again. Loud enough that I, along with others, opened our windows to see what the racket was.

As I have written in previous blog entries, the racket was about a whole lot of nothing. Well, apparently, the SEC heard the racket as well. This past week the SEC issued an [FAQ about Reg Sho, Short Sales and Fails to Deliver](#).

It does a good job of explaining what Reg Sho is and isn't, how short sales and fail to delivers are handled, and most interesting to me, and previously unbeknownst to me, lets us all know that Long Sales that are not delivered also qualify for the list.

How could that work? Let's say you are a long in [Overstock.com](#) and you decide that you don't want to own the stock anymore. You give your broker a sell order. It's quite possible, and even likely that there are already short sellers who have borrowed that stock and shorted it. As a result, your broker doesn't currently have a locate on shares of stock to sell. If enough people are selling Overstock.com shares, it could create a situation where the long sales cause Overstock.com to appear on the Reg Sho list.

This is completely the opposite of what the Naked Short cult would have you believe.

Hopefully this will shut them all of up.

And remember, rule of thumb #1 If the CEO of a company that you own stock of screams about short sellers hurting the price of the stock. Sell the stock. Fast.

And give serious consideration to [shorting the stock](#).