

## Charles Schwab and others take new aim at 'short sellers'

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Critics of stock "short sellers" on Tuesday ramped up their efforts to spur a new U.S. crackdown on the practice -- or at least, a crackdown on what is perceived to be abusive shorting.

**Charles Schwab**, the founder of discount brokerage **Schwab Corp.**, wrote an op-ed piece in the Wall Street Journal calling for the return of the so-called uptick rule.



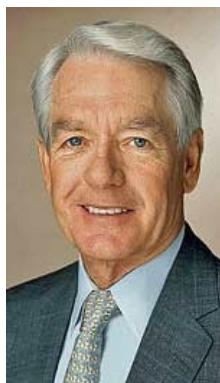
In Washington, a panel that included former Securities and Exchange Commissioners **Harvey Pitt** and **Roel Campos** called for the SEC to take more stringent measures to rein in "naked" shorting of stocks. See Reuters' summary of the panel discussion [here](#).

**Meanwhile, short sellers boosted their bearish bets on stocks in the second half of November, the first overall increase in short sales of New York Stock Exchange-listed shares since mid-July, new NYSE data show.**

The total number of shorted NYSE shares rose to 14.16 billion as of Nov. 28, up 4.3% from 13.57 billion on Nov. 14, the exchange said. The market hit new multiyear lows on Nov. 20, but has since been going against the shorts.

Short sellers borrow stock and sell it, typically hoping the market price will drop. If it does, they can replace the borrowed shares with stock bought at a lower price, and pocket the difference between the sale price and the repurchase price. Shorting also can be part of a hedging strategy, rather than an outright bet on lower prices.

As many readers will recall, short sellers have gotten much of the blame for the ferocity of the market meltdown this year, and [particularly for the collapse of financial stocks](#). The shorts -- or the few who speak publicly, anyway -- [they're just being scapegoated](#) by bitter investors who picked lousy stocks to own.



Schwab, in the [Journal article](#), takes the increasingly popular view that the SEC should restore the uptick rule. He wrote:

"In the wake of the Great Depression, the uptick rule was established to eliminate manipulation and boost investor confidence. The rule said that short sales could be made only after the price of a stock had moved up (an 'uptick') over the prior sale. This slowed the short selling process making it more expensive and limiting the ability of short sellers to manipulate stocks lower by piling on, driving the share price quickly down and quickly profiting from the downdraft they created. In July 2007, however, the SEC repealed the uptick rule after a brief study. Manipulative short sellers couldn't believe their luck."

**But there's a large camp on Wall Street that believes the uptick rule is obsolete, in part because of the speed of automated trading today. Bloomberg News has a rebuttal to Schwab's views [here](#).**

Pitt, Campos and others want the SEC to take greater aim at naked shorts -- traders who sell stock without bothering to borrow it. The SEC went after this practice in July and [again in September](#), trying to stop the plunge in financial stocks. Critics say the agency hasn't been tough enough; others say the SEC's efforts have been ham-handed from the start.

The panel with Pitt and Campos was sponsored by the [Coalition Against Market Manipulation](#), which includes companies that contend their stocks have been abused by naked short sellers.

All of this will soon be left on the doorstep of a new SEC chairman, to be named by President-elect Obama. [Here's a list of names](#) making the rounds as potential choices to head the agency.

-- Tom Petruno