



At The Head Of The Roundtable

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In July and September 2008, amid widespread market panic, the Securities and Exchange Commission issued emergency orders imposing borrowing and delivery requirements on certain short-sales and prohibiting the short-selling of some securities. Those measures were stop-gap, interim actions. After the election, it was expected that whoever won would remove the temporary bandages and perform the necessary surgery.

During the ebullient days of change--when the new Obama administration was poised to overhaul Washington and reform Wall Street--investors and industry participants alike anticipated the SEC would quickly reform short-selling practices. Newly nominated SEC Chair Mary Schapiro had spent decades in the industry at the SEC, the Commodities Futures Trading Commission, the National Association of Securities Dealers and Financial Industry Regulatory Authority. They told us that she was a heavy hitter with the chops to get the job done. The time for action had finally arrived!

But on April 8, 2009, the SEC informed us that it was seeking public comment on how to fix the short selling mess. Seeking public comment? What happened to change? Reform? As I wrote in my Forbes column, *Short Selling: The Next American Idol*, we needed someone to lower their head and pound it over the line for a touchdown. Instead, the SEC punted--the regulator opted for a chat line and telethon.

Not all delay is bad. So, even with the disappointment of April 2009, there was hope that by Labor Day 2009 something tangible would appear from the SEC. At worst, industry pundits awaited a press release from the SEC announcing its proposed amendments to the short-selling rules. After all, it only takes nine months of gestation to produce a baby--reforming short sales isn't on a level with the miracle of birth. Or so you would think.

On Sept. 25, 2009, the SEC issued yet another press release: *SEC Announces Panelists for Securities Lending and Short Sale Roundtable*. No ... the release didn't herald the issuance of new short-selling rules. To the contrary, we were informed that on Sept. 29 and 30, the SEC had scheduled a Roundtable. A Roundtable? Yes, yet another arrow in the bureaucrats' quiver of delay. After some nine months on the job, SEC Chair Schapiro produced a Roundtable. If you missed being there in person, you can catch the Webcast on the SEC's Web site.

Starting at 9:30 a.m., SEC Chair Mary Schapiro gave 10 minutes of opening remarks. It's nice that the SEC Chair got to deliver opening remarks. I was concerned that her day was far too busy for such an appearance, but thankfully she doesn't have anything more pressing to attend to. From 9:40 to 10:50 a.m., the short-selling Roundtable panel of five speakers discussed the "Overview of Securities Lending." Wow ... a little more than an hour for five experts to ponder such an expansive topic. After a 10-minute break, the Roundtable resumed at 11 a.m. with seven--count 'em, seven--speakers on "Securities Lending and Investor Protection Concerns." After a nourishing hour's lunch, at 1:30 p.m. they held a seven-person panel on "Improving Securities Lending." The first day ended with a 2:50 to 3:55 p.m. panel of seven people discussing the "Future of Securities Lending and Potential Regulatory Solutions." SEC Chair Schapiro got five minutes for closing remarks. Hopefully, she found the time to sit through all of the Roundtable-ing and managed to take down extensive notes about all the suggestions and ideas.

On the second day, the festivities began at 9:30 a.m. with another five-minutes of opening remarks from Schapiro. At 9:40 to 11 a.m., there was a panel of nine speakers on the topic of the "Controls of Naked Short-Selling." Imagine that! Nine experts got one hour and 20 minutes to Roundtable about naked short-selling--why that's almost nine minutes for each panel member! The Roundtable resumed at 11:10 a.m. with seven speakers on "Making Short Sale Disclosures More Meaningful." Alas, there was no free lunch

on this second day because SEC Chair Schapiro delivered closing remarks at 12:25 p.m. and the kiddies were all gone by 12:30 p.m.

At a recent Congressional hearing on "The Impact of Financial Regulatory Restructuring on Small Businesses and Community Lenders," the House Committee on Small Business managed to shoe-horn some 10 speakers on two panels--and all starting after 1 p.m. on a Wednesday. As I recently wrote about on my blog no speaker got much more than five minutes of speaking time (including an introduction by the committee chair) and I couldn't discern much of value that was presented to the committee, but, hell, why actually do anything when you can give the appearance of progress?

Seems all those good folks in Washington, D.C., have a penchant for panels with lots of speakers. Not that any of this jawing ever fixed a single important problem, but it is a wonderful photo opportunity and you do get to bring a lot of folks together for a nice chicken lunch and a chance to catch up on all sorts of gossip. On the other hand, where Congress simply wastes times with overblown hearings, the SEC has taken this nonsense to amazing new heights. No more mere hearings ... we now have Roundtables. Not only does it sound more impressive but it conjures up the romantic vision of Camelot and King Arthur. However, as memory serves me, Sir Lancelot, the greatest knight in the world, committed adultery with Queen Guinevere. That caused a nasty war between King Arthur and Lancelot, forced the other knights to pick sides, and that all pretty much destroyed the Roundtable. Camelot was never the same, except for a nice run on Broadway and a popular movie.

Just goes to show you that it isn't exactly a great idea to put a bunch of armored, sword-bearing, competitive guys facing each other around a Roundtable. Maybe that's why you don't see too many corporate boardrooms with Roundtables. There's a reason for all those rectangular tables. Someone needs to sit at the head of the table. Someone needs to be in charge.

Once upon a time, kings made decisions at the risk of losing their heads and kingdoms. In olden days, rulers didn't take polls, they didn't waste time with self-serving panels--those in power wielded power. My, what a novel concept! You're hired to do a job and you do your own homework, make your own decisions and put your reputation on the line. You take personal responsibility for your actions. We have become a nation that ponders everything without resolution. No one is in charge of anything. Our lives are run by committee--or Roundtable. It is a nightmare of debates and discussions that go on endlessly.

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