

# The Washington Times

## Letters to the editor

November 29, 2007

### Trading places

The Commentary column "Phantom shares" (Nov. 21) by Jonathan E. Johnson III, senior vice president of corporate affairs at Overstock.com, was grossly misleading and filled with inaccuracies.

At Depository Trust and Clearing Corp. (DTCC), we clear and settle the trading volume from all equity markets in the United States (New York Stock Exchange, Nasdaq, American Stock Exchange, regional stock exchanges and electronic communication networks, or ECNs), which may include more than 11 billion shares traded, with a value exceeding \$1 trillion, on a single day.

The article is disingenuous at best to suggest that electronic records of securities trades create an unknown number of phantom stock shares when a trade fails. The Securities and Exchange Commission has rejected this idea as unfounded.

Every trade in a security, involving a physical certificate or an ownership record on a computer, is a legal obligation, and investors retain rights and recourse if that contract is not fulfilled. If you deposit \$100 in your bank account, you aren't entitled to get the same exact bills you deposited, but you do retain the legal right to get \$100 back.

Less than one-tenth of 1 percent of trades may not settle within three days after the trade, as required. The SEC has pointed out that trades can fail for a variety of reasons, most of which are associated with administrative errors (e.g., incorrect signature on stock certificate). When there is a failed trade, 85 percent of these fails are resolved within 10 business days.

In instances of long-standing failed trades, a broker dealer has the right to force a buy-in to complete the trade. The SEC has taken a number of steps to reduce these long-standing failed trades. Most recently, it amended Regulation SHO to eliminate a clause that allowed fails incurred before a security went on the threshold list to remain open as fails.

While we understand that Overstock.com continues to feel that short selling (instead of its earnings) is depressing its stock price, shame on Mr. Johnson and his company for pursuing an ill-conceived and misleading campaign of attack on our capital market system. Our U.S. capital markets are the most efficient and safest markets in the world and have the lowest costs, which helps attract the flow of capital that helps fuel the U.S. economy.

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