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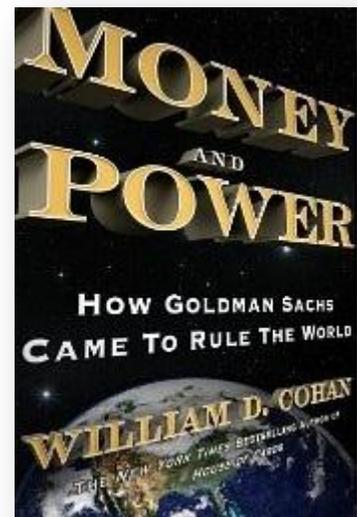
## Now What's Going On

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### IS IT TIME TO END THE SEC?

William D. Cohan wrote an article calling for the end of the SEC. Bill has been a successful writer and quite a few people have asked me what info I gave him for his book since he listed me in the credits. It was really about the development of the industry. But his article calling for the end of the SEC largely over the destruction of evidence is just the tip of the iceberg <http://www.bloomberg.com/news/2011-08-30/one-more-reason-to-shut-sec-and-start-over-commentary-by-william-d-cohan.html>

The real issue is that the SEC & CFTC are one giant waste of money. They really do not protect investors and probably cause most average investors to lose money. Worse still, they DO NOT audit any firms and just yell and scream and demand more and more power with each scandal as the excuse as to why they have NEVER once have been able to detect a big fraud until it blows up in their face. They then demand more power always from Congress and in the process are constantly handed more and do less. If anything, they give everyone a FALSE sense of security since they actually do nothing proactive to prevent anything. They constantly protect the big names because the US legal system is ass-backwards. Young fresh lawyers go to government to make a name for themselves and pray at night for a high profile case so they can become the next **Rudolf Giuliani**. The government attorneys are generally looking for that score to make the big bucks. Therefore, they will never charge any big NY firms for they are hoping to get a job with them or a law firm who services them. Obviously, you will not get hired by charging the big NY firms.



Let's face the facts. The MF Global debacle is exposing once again how nobody pays attention to what is really going on. It is the Exchanges that do any auditing and the SEC & CFTC really do nothing but charge people after the fact. When a firm is caught violating the law, they get a "NO ACTION LETTER" which means what it says.

Two World Trade Center  
New York, NY 10048

September 29, 1997

Republic New York Securities Corporation  
452 Fifth Avenue  
New York, New York 10018

**NYSE**

New York  
Stock Exchange, Inc.

Attention: Mr. Fred J. Buglione  
Chief Financial Officer

Re: Prime Brokerage Accounts

Gentlemen:

As you know, the Exchange has been investigating the possibility that Republic New York Securities Corporation (the "Firm") may have failed to comply with Regulation T promulgated by the Board of Governors of the Federal Reserve Board ("Regulation T") and certain provisions of the Securities Exchange Act of 1934 ("the Exchange Act") relating to prime brokerage accounts. Please be advised that, based upon information presently available, the investigation relating to prime brokerage accounts has been concluded with the disposition set forth below.

Madoff and MF Global are just two examples of how the SEC provides no deterrent to the big NY firms and have NEVER prevented a single scandal. It was NOT the Federal Reserve that regulates Investment Banks – that's the SEC & CFTC. They were the front line of defense that failed to even understand what was going on in the CDS market that blew up the entire world economy. You would think that Europe, China, and South America, not to leave out Canada and Australia, would be demanding the scalps of the SEC & CFTC be served up on a silver platter. The Occupy Wall Street crowd is barking at stock brokers when they should be marching on Washington.

So why do I say that the SEC & CFTC cause most investors to lose money? They are the very reason why there are offshore hedge funds. In 1985, the largest hedge fund was about \$100 million. It was 1985 when S&P 500 futures began to trade. We could not issue a report on it because these two agencies were fighting over who would have jurisdiction.

The reason why there are so many different specialized funds in the USA is by no means because this is better for the investor. It is because of this battle for power. If you do not have the expertise to know what to invest in, you should be able to go to a fund manager and hire him to make that decision for you. Under US law, you can't do that. Why? Because we have too many regulatory agencies and they all conflict with each other so if you comply with the SEC, you go to jail with the CFTC.

This is what emerged as a hedge fund. I warned Congress back in 1985 that they should merge the SEC and CFTC or else they would drive capital offshore. Today, there is more than \$1 trillion offshore. Not only did the USA drive capital out, this turf war between agencies does far more than waste vast amounts of money and clearly fails to ever discover anything before it blows up, but it denies expertise to the average person so only the "rich" can afford to go offshore into hedge funds.

This has resulted in the average American having to listen to the sales pitch of so many people and then decide should they invest in bonds, equities, or commodities, with an array of subsections under each. Because each investment product stands alone, the investor has to decide himself what to invest in. You cannot hire a fund manager to make that decision for you. So write a thank you letter to your Congressman. For you see, each agency has its own lobbyists on Capitol Hill to further their own agenda. It is not just corporations the lobby – agencies lobby government themselves. So it is time to end the nonsense. We pay for all this overregulation that NEVER prevents anything from happening and only ends up shifting the burden to the average person to make the same decision required of a top hedge fund manager. So if you lost in your 401K, send a thank you note to your local representative. It's Just Time!



**2011 World Economic Conference**  
**Philadelphia - December 4th**  
*(not all doom & gloom)*

*\$750 per seat all inclusive  
materials & luncheon*