

PREVENT A STOCK MARKET HACK DESIGNED TO SWING THE ELECTION

REINSTITUTE THE UPTICK RULE TO STOP PLANNED MARKET CRASH

Goal: To reinstitute the original “uptick rule” which could prevent a planned stock market crash caused by High-Frequency Trading and the hacking and manipulation of trading algorithms.

The Problem: An estimated 60% (higher during periods of stress) of stock market trading is conducted by High Frequency Trading (HFT). This trading includes buying, selling, and selling short. With short selling, due to the timing and nature of such trading, it is possible to literally crash a market as experienced in 2008 and the 2010 flash crash. Further, as demonstrated in the 2013 Twitter-feed hack, it is possible to cause a market crash through the manipulation of news to trigger an algorithmic response. Finally, the algorithms can be directly hacked and altered to trigger a crash without discernible fingerprints. The blame will be placed on market forces.

Most academics and professionals believe that the market is by nature self-correcting. Over time, natural market forces should sort out anomalies caused by manipulation. Unfortunately, the intricacy of the timing, coupled with altered public perception, creates an immediate impact with far-reaching consequences that cannot be repaired quickly via market self-correction.

Causing a “man-made stock market crash” is written into the Chinese doctrine of Unrestricted Warfare. There is clear evidence that the 2008 market collapse changed the election as John McCain was actually leading in the polls on September 11, 2008. That day, Lehman Brothers began to collapse (which George Soros said was the subject of a targeted bear raid) taking the entire market down with it. The SEC was forced to ban short selling in over 700 companies to stem the tide although the response was too late to prevent the damage. A Pentagon sponsored study documented foreign interference potential in the 2008 election via the stock market. Multiple studies have demonstrated that the stock market’s performance late in the election cycle is highly correlated with election outcomes. The Chinese Communist Party, the PLA, and others have the motive, means, opportunity, and contacts to crash the market and thus alter the 2020 election.

Further, by hacking the algorithms, the attacker could undertake such an effort without risking their own money or negative financial repercussions. Wall Street prepares against theft but is unprepared for an intended chaos trade as key protections are based around preventing financial gain not stopping a crash.

What Can be Done Now: In 1937, the newly formed Securities and Exchange Commission (SEC) under the direction of Joe Kennedy instituted the first Uptick Rule. The Uptick Rule requires short sales to be conducted at a higher price than the previous trade. It remained in place until 2007, when the SEC ran a flawed study suggesting the rule had little impact. There are academic studies disputing the findings. Nevertheless, the rule was removed in 2007, just prior to the worst market decline since 1937. The traditional uptick rule’s removal allowed for High-Frequency Trading. The SEC adopted a “new uptick rule” but it is not nearly as effective. Many on Wall Street (who profit from HFT) will vehemently oppose putting back the old rule. But Jim Cramer has supported it, and billionaire hedge fund manager Leon Cooperman actively promotes its return. Putting it in place would certainly throttle destabilization plans.

Recommended Action: POTUS should direct SEC to immediately adopt a measure allowing for the reinstatement of the traditional uptick rule. This could prevent malicious manipulation or control of High Frequency Trading designed to cause a market crash.