NEW YORK STATE SENATOR

Malcolm Smith

Senate Democratic Leader Malcolm Smith Calls On State & City Pension Funds To Take Action Against Stock Market Manipulators

Malcolm A. Smith

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(New York, NY)- Senate Democratic Leader Malcolm A. Smith today called on the City and State pension funds to take action to preserve hundreds of thousands of jobs and protect New York’s standing as the financial capitol of the world. Stock market manipulators who are attacking the shares of Morgan Stanley and Goldman Sachs must be prevented from taking advantage of the extraordinary challenges facing New York’s financial markets.

"Our public pension funds should stop lending securities to stock market manipulators who are selling short the shares of Morgan Stanley and Goldman Sachs," said Senator Malcolm A. Smith.

"I am urging State Comptroller Tom DiNapoli and City Comptroller Bill Thompson to join forces with other public pension funds to stop lending shares of Morgan Stanley and Goldman Sachs to those who are selling short the shares of these companies. We can stop the panic in the markets caused by irrational selling of these entities that objective analysts agree are fundamentally sound by curbing the short sellers who are trying to profit from their destruction."

Yesterday, the California Teachers Pension Fund announced they would no longer lend shares of Morgan Stanley and Goldman Sachs to short sellers.

Smith delivered a letter to DiNapoli, the State Comptroller and sole trustee of the NYS Common Retirement Fund, and Thompson, the City Comptroller. Together, the city and state pension funds have in excess of $300 billion in assets.

Investors who "short" a stock borrow shares from another investor, and then sell them at the current price anticipating that the stock price will fall. If the price falls they buy them back at the lower price, making a profit on the difference. In many instances the short sales are a coordinated and deliberate effort to drive down the price of a stock.

In his letter to Thompson and DiNapoli, Smith noted that these are "fundamentally solid companies with thousands of talented employees and billions in capital, and critically important to our state’s economic life. To let the short sellers create a run on the shares of these companies is wrong and requires swift action."