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TRANSPORTATION AND
INFRASTRUCTURE COMMITTEE
FINANCIAL SERVICES COMMITTEE
SCIENCE COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515-4402

September 19, 2006

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

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CHAIRMAN'S
CORRESPONDENCE UNIT

Re: Comments on Proposed Amendments to Regulation SHO; File No. S7-12-06

Dear Chairman Cox:

As you know, an increasing number of companies and individuals have come forward in recent months with concerns about the manipulative market practice known as naked short selling. I have heard from a number of constituents in my home state of Utah regarding this abusive technique.

I commend the Commission for its attention to this issue and for the opportunity to comment on the Commission's proposed amendments to Regulation SHO. Both the amendment to eliminate the grandfather clause and the amendment to tighten the close-out requirement under the market maker exception are worthy proposals that should be helpful in reducing abusive short selling and failures to deliver.

In addition to these proposals, I encourage the Commission to explore further mechanisms for increasing transparency and reducing the potential for market manipulation. Specific measures that the Commission should consider include providing daily disclosure of the aggregate volume of fails in each threshold security; and requiring that all short sellers have possession of the stock in question or have entered into a bona fide contract to borrow the stock in advance of the sale. These modifications would ensure that issuers have greater access to information regarding settlement failures in their shares and would prevent multiple short sales from the same security.

In closing, I would like to reiterate my appreciation for your attention to this issue. As a member of the House Committee on Financial Services, I look forward to working with you and your staff on increasing transparency and protecting investors and public companies from market manipulation.

Sincerely,

Jim Matheson
Jim Matheson

Member of Congress

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