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August 21, 2008

Securities and Exchange Commission  
Secretary  
100 F Street, NE  
Washington, DC 20549-1090

Re: File Number S7-20-08; Naked Short Sales

Dear Sir/Madam:

The California Bankers Association (“CBA”) appreciates this opportunity to submit comments to the SEC regarding the expansion of the naked short sales restriction to all depository financial institutions. CBA is a California non-profit organization established in 1891 and represents most of the depository financial institutions doing business in California. Its members range in size from community-based banks to the largest financial institutions in the nation.

We commend the SEC for initially instituting restrictions on naked short sales of securities of the 19 large financial institutions pursuant to its July 18 order. The order prohibited short sales unless the traded securities are actually arranged to be borrowed prior to the short trade. CBA believes that, in this uncertain economic environment, unchecked naked short sales of those institutions’ securities could raise unwarranted public concerns about their safety and soundness and even viability. At a time when consumers are nervous about the safety of their deposits, they may react hastily by withdrawing funds whenever a bank’s stock price falls.

In California, the failure of IndyMac Bank has caused consumers to be more attentive to the financial condition of their own banks. This sense of anxiety affects all banks, not just the few identified by the SEC and protected by its initial order. In the coming months much attention will be given to how banks perform, and to which banks are deemed to be “in trouble.” This kind of speculation, which to some extent is unavoidable, could only exacerbate the popularity of naked short sale activities which, in turn, could unduly distort market perceptions that may lead to disastrous consequences for some banks.

We believe that much of the rationale for applying the naked short sale rule to the initially identified institutions has equal application to all financial institutions that are publicly traded. Moreover, it is patently contrary to principles of fairness for a small number of financial institutions to be covered to the exclusion of all others, most of whom are direct competitors.

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The SEC simply should not be in the business of favoring some market participants over others. Such a policy not only gives an unfair, government-sponsored advantage to those select institutions, but would also focus the attention of short sellers on the remaining banks and exert downward pressure on banks' share prices when they are most vulnerable.

For these reasons, CBA and its members urge the SEC to expand the positive step it took with regard to the initial group of financial institutions, and issue a rule or order to expand the restriction on naked short sales to apply to all publicly traded depository financial institutions. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Leland Chan', is positioned above the typed name. The signature is fluid and cursive, with a vertical red line to its right.

Leland Chan  
General Counsel