

United States Senate

WASHINGTON, DC 20510-3204

September 17, 2008

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
450 Fifth Street, NW Room 6100
Washington, D.C. 20549

Dear Chairman Cox:

I commend the Securities and Exchange Commission's actions today tightening rules against manipulative short selling. The SEC's rulings are a positive step in curbing the market manipulation and heightened volatility that casts uncertainty on our domestic markets and financial institutions.

However, the Commission's actions today do not go far enough to maintain investor and consumer confidence in the fairness and integrity of the markets. Abusive transactions such as "naked short selling" practices could further undermine the integrity of the markets.

As a Senator from New York, I have special duty to the workers in the financial services industry I represent and to ensure that New York City remains the financial capital of the world. And the abuses that disrupt the markets today will impact the broader economy and the lives of middle class Americans tomorrow.

I believe that it may be necessary for the SEC to take additional steps similar to the emergency rule it imposed this past July when the Commission, "concluded that there now exists a substantial threat of sudden and excessive fluctuations of securities prices generally and disruption in the functioning of the securities markets that could threaten fair and orderly markets". I believe that conditions now pose a greater threat than the conditions in July which triggered the Commission's emergency actions. Several of the institutions the Commission sought to insulate from abuse do not exist in the same form as they did less than two months ago.

I urge the Commission to take immediate steps to enact rules that would impose a temporary moratorium for all of the abusive and manipulative short sales practices associated with "substantial financial firms" like those the Commission identified in July. A temporary moratorium would allow the marketplace to take a step back and get a fuller and more accurate picture of the conditions of the stocks involved in these short sales, and allow the Commission and other regulators to identify and weed out the sources of those abusive transactions. At the very least a semblance of order and rationality could be restored to the marketplace.

Moreover, the Commission should give close consideration to the many calls for the immediate restoration of the uptick rule whose repeal has been linked to the recent market volatility and proliferation of abusive short sale transactions.

Time is of the essence as just a few days of delay could be ruinous for both institutions and confidence in our markets. Thank you for your consideration of my concerns.

Sincerely,

A handwritten signature in blue ink that reads "Hillary Rodham Clinton". The signature is written in a cursive, flowing style with a prominent initial "H" and a long, sweeping underline.

Hillary Rodham Clinton