October 13, 2008

The Honorable Christopher Cox
Chairman
U. S. Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549-1090

Dear Chairman Cox:

We applaud the Commission on its issuance of a number of temporary and permanent rules to reduce the possibility of abusive naked short sales. We believe this is a significant step toward eliminating practices that have the potential to damage market efficiency and integrity when securities sold into the market are not delivered to the purchaser.

We support the following proposed permanent revisions to strengthen the provisions of Regulation SHO to better address the problem of naked short selling.

- T+3 Delivery Requirement -- The new rule, adopted on an interim final basis, requiring that short-sellers and their broker-dealers deliver all securities they have sold into the markets by three days after the trade date (T+3). If the securities are not delivered in T+3, the broker-dealer is required to "immediately close out the fail to deliver position by borrowing or purchasing securities of like kind and quantity. We strongly support the implementation of this rule and encourage the SEC to enforce it strenuously and to make clear that the close-out requirement is mandatory and that failing trades must be immediately closed out. We would also encourage the SEC to clarify what the penalty is for failure to comply with the close-out requirement.

- Partial Pre-Borrow Requirement -- In the event a short sale violates the T+3 and close out requirements described above, then for as long as those securities remain undelivered, any broker-dealer acting on the short seller's behalf will be prohibited from further short sales in the same security for any customer unless the shares are not only located but also pre-borrowed. We strongly support the SEC's imposition of a pre-borrow requirement for securities where there are problematic failures to deliver those securities in a timely manner.

  However, the requirement as currently implemented will require each broker-dealer to maintain a continually-changing list of securities for which a pre-borrow is required for their customers at any given moment. This dealer-by-dealer list will make it substantially more difficult for the SEC and the exchanges to monitor compliance with the pre-borrow rule across the markets. We believe that the SEC should consider altering the new rule to require a pre-borrow on an industry-wide (rather than dealer-by-dealer) basis for securities that are suffering substantial failures-to-deliver. We believe that the implementation and enforcement of such a rule would be far easier and would result in a clearer regulatory picture of problem areas. This would also reduce the possibility short-sellers "shopping" among broker-dealers to find one where no pre-borrow is required for a particular security.

- Disclosure of Short Positions – The new rule, adopted on a temporary basis, requiring managers who are required to report their long positions on a quarterly basis on form 13-F now also report their short positions on a weekly basis on Form SH. However, the disclosures on Form SH would not be made available to the public until two weeks after they are filed. We believe that this temporary rule takes an important step, and we propose that the permanent rule provide for disclosure of both long and short positions in a timely manner, perhaps monthly (certainly more than once a quarter), by all managers who are currently required to file Forms 13-F.

- Enhanced Enforcement -- The expansion of the previously announced examination of rumor-mongering and abusive short-selling. This expansion includes seeking sworn statements from hedge funds and other market participants concerning their activity with respect to the securities of certain financial institutions and enhanced investigations. We applaud these efforts and encourage the SEC to expand such enforcement efforts, including considering a task force constituted specifically to address manipulative and abusive short-selling and related market activity.

The SEC has taken important steps in these trying times to acknowledge and address the market problems created by naked short sales. We support the implementation of a rational disclosure and enforcement system that will serve to renew the faith and trust of all market participants in our capital markets.

Respectfully,

Property Casualty Insurers Association of America

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