

Congress of the United States
House of Representatives
Washington, DC 20515-0705

November 14, 2007

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
Washington, DC 20549

Dear Chairman Cox:

We write to urge the Securities and Exchange Commission to consider issuing a rule strengthening Regulation SHO in order to end the manipulative practice of naked short selling, a practice that distorts the market and harms businesses and their investors. Specifically, we ask the Commission to begin a rule-making process and solicit comments on regulations revising Regulation SHO to (1) require a firm location of shares to be borrowed before a short sale can be executed, and (2) enable transparency in this area by mandating timely disclosure of the volume of failures-to-deliver shares of companies on the Regulation SHO threshold list. These are among the changes to Regulation SHO that the U.S. Chamber of Commerce urged the Commission to consider in comments dated September 13, 2006 and January 23, 2007. Other notable commentators also have requested these amendments.

We commend your recent comments and the Commission's actions addressing naked short selling; however, we remain concerned that the abuses of naked short selling continue. The Commission's actions to tighten Regulation SHO by eliminating the grandfather provision and proposing to eliminate the options market maker exception are excellent first steps. The options market maker exception has been a well-known tool of manipulation and must be eliminated promptly to ensure a level playing field for public companies and shareholders. We strongly encourage the Commission to take the steps necessary to eliminate the options market maker exception before the end of the year. However, while eliminating the grandfather provision and the options market maker exception will significantly strengthen Regulation SHO, we are concerned that these changes alone may not solve the problem that results in continued naked short selling and failures-to-deliver. In our view, it may be necessary for the SEC to amend Regulation SHO to impose a firm locate requirement and require greater transparency on failures-to-deliver – in addition to the Commission's recent repeal of the Regulation SHO grandfather provision and prompt adoption of the proposed repeal of the options market maker exception – will end the abuses associated with naked short selling.

Thank you for your serious attention to our recommendations. We would appreciate learning by (one month after letter sent) the Commission's (a) position on the firm locate and transparency amendments we have proposed and (b) specific timetable for proceeding with its proposal for the elimination of the options market maker exception.

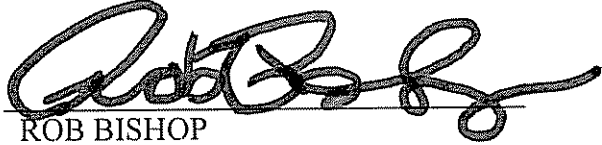
Sincerely,



CHRISTOPHER S. MURPHY
Member of Congress



CHRISTOPHER SHAYS
Member of Congress



ROB BISHOP
Member of Congress



RON PAUL
Member of Congress