

CHRISTOPHER S MURPHY
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COMMITTEE ON FINANCIAL SERVICES

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

Congress of the United States
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April 26, 2007

Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Dear Chairman Cox:

The U.S. Securities and Exchange Commission (SEC) is currently considering proposed amendments to Rule 203 of Regulation SHO [17 CFR 242.200 and 242.203] under the Securities and Exchange Act of 1934 (File Number: S7-12-06). The proposed amendments will eliminate the grandfather exception for fail to deliver shares and narrow the options market maker exception included in Regulation SHO. I am writing to address my concerns with the market practices that prompted these amendments and to voice support for the adoption of the changes under consideration.

As a member of the Financial Services Committee in the United State House of Representatives, I feel it is particularly important to speak on behalf of my constituents to address "naked" short selling and the abuse of fail to deliver shares. First, I recognize that market options including selling and buying short positions are tremendously important for market liquidity. Still, "naked" short selling, where a seller has not contracted to purchase shares or located shares to sell has in part been enabled by the loopholes for fail to deliver shares in Regulation SHO. As such, I encourage the SEC to adopt the proposed amendments to eliminate the current grandfather exception and narrow the options market maker exception.

Additionally, to further restrict the amount of fail to deliver shares, the SEC should strongly consider modernizing current disclosure requirements. While all stock exchanges produce a list of threshold securities, greater currency and accuracy on fails to deliver is necessary. Lists of thresholds securities should provide the aggregate daily volume of fail to deliver shares to provide quantifiable information to firms and individual investors in real time. Increasing transparency in this manner should decrease the abuse of fail to deliver shares and "naked" short selling.

I commend the SEC for working to eliminate abusive practices and for extending the public comment period to allow concerned parties to submit their views on the proposed changes. We must work to protect investors and if adopted, I believe the proposed amendments will significantly help in this effort.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Murphy". The signature is fluid and cursive, with a large initial "C" and a distinct "M".

Christopher S. Murphy
United States Congressman