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Governor

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Lieutenant Governor

State of Utah Department of Commerce

FRANCINE GIANI
Executive Director

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September 11, 2006

Via Electronic Mail

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090
Attn: Nancy M. Morris, Secretary

Re: Comments on Regulation SHO Rulemaking Proposal (File No. S7-12-06)

Dear Ms. Morris:

I am Executive Director of the Utah Department of Commerce. One of the functions of the Department is the regulation of securities sales in Utah. I have received complaints from investors and public companies, averring that naked short sales and settlement failures are prevalent in the markets.

To understand the issues better, I have met with the complainants and with representatives from the securities industry, including visits with the stock lending operations at a Wall Street prime broker. Those discussions have convinced me that short selling abuses can and do occur. As a result, I have asked the Utah Division of Securities to determine the extent of abuses and to recommend solutions. The Division of Securities has reported that its investigations are being slowed by prime brokerage firms and clearing agencies.

A national solution to this problem is preferable. However, if the Commission cannot deliver a national solution, this state will increase its efforts to identify those firms causing settlement failures and, when justified, bring enforcement action. While the filing of enforcement cases is not the optimal means of encouraging market discipline, it is our most potent option until regulatory requirements are implemented to prevent abuses.

In light of this, I strongly urge the SEC to approve these proposed rule changes. Grandfathering should be eliminated and the close-out exception for options market makers should be severely limited. The SEC also should implement additional steps to prevent speculators from selling securities that the seller does not own, has not borrowed, and will not deliver.

Respectfully yours,

/s/

FRANCINE A. GIANI, EXECUTIVE DIRECTOR
UTAH DEPARTMENT OF COMMERCE