

Congress of the United States

Washington, DC 20510

September 19, 2006

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chairman Cox:

As members of the United States Congress and representatives of the people of Utah, we are concerned with the impact that abusive naked short selling is having on our capital markets, on individual companies, and on innocent shareholders. It is clear that you share these concerns, and we commend the Commission for its proposed amendments to Regulation SHO. The proposed repeal of the grandfather provision and narrowing of the options market maker exception are important first steps toward reducing persistent fails to deliver and other associated abuses. While we support these changes, we suggest that the SEC make two additional modifications to Regulation SHO that would further curtail abusive naked short selling and persistent failures to deliver.

Transparency — Disclose the Volume of Fails

The SEC should amend Regulation SHO so that the aggregate volume of failures to deliver is reported daily for each threshold security. We agree with Commissioner Atkins' statement that aggregate fail data should be disclosed. Sunshine is a great disinfectant and more transparency may contribute to a decline in abuses and to more investor confidence and security. We believe that absent full disclosure, it will remain difficult to know the level of "naked shorting" and its risk to the capital markets.

Ownership — Require a Pre-Borrow for All Short Sales

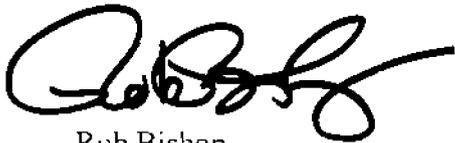
The SEC should require that before any seller can short sell a stock, that seller must either have the stock in his possession (and have the right to sell it) or have entered into a bona fide contract to borrow the stock in advance of the sale. This step alone should prevent the majority of purposeful and strategic fails to deliver. The current rules that allow the stock to be located (but not borrowed) allow for one share to be "located" multiple times without it actually ever being borrowed. As a result, abusive short-sellers can avoid delivering the stocks they sell, sometimes postponing trade closures indefinitely.

Though there may be some disagreement over the scope, it does seem clear that naked short selling is a problem, that persistent failures to deliver threaten investor confidence and the integrity of our markets, and that further regulation by the SEC is warranted.

It is imperative that the SEC protect investors and public companies by minimizing the manipulation of our capital markets. The interests of short-selling hedge funds must not be placed ahead of our duty to protect the small investors and employees who often depend on these companies for their livelihood and retirement.

Mr. Chairman, we look forward to working with you and your staff in this effort. The changes that the Commission has recommended to Regulation SHO are a step in the right direction. We commend you for this effort. We look forward to the Commission taking the additional steps we have outlined in this letter.

Sincerely,



Rob Bishop
Member of Congress



Chris Cannon
Member of Congress



Orrin Hatch
United States Senator