

# United States Senate

WASHINGTON, DC 20510

April 1, 2009

The Honorable Mary L. Schapiro  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Dear Chairman Schapiro:

We were pleased to hear in January of this year that you were committed to a review of the uptick rule. More than two months have passed, and while we understand that the SEC has begun its review, the financial markets are still waiting to know if the SEC will restore an uptick rule, and whether it will take additional steps to address abusive short selling practices.

American investors are looking to the SEC's meeting on April 8 to address these issues. It is urgent that we restore the integrity, efficiency and fairness of our securities markets by preventing manipulative short selling. Investors need to know that the market fairly values the actual shares issued by a company and that their transactions will not be distorted by manipulative naked short sellers creating "phantom shares."

Because of our concern about abusive short selling practices, we were especially troubled by the response of the Division of Enforcement (the "Division") to a recent report from the SEC's Inspector General (the "IG") entitled "Practices Related to Naked Short Selling Complaints and Referrals," which detailed the results of an audit of the Division's policies, procedures, and practices for processing complaints about naked short selling.

In the report, the IG found that despite receiving more than 5,000 complaints about abusive short selling, the Division had brought no enforcement actions. Further, the IG made eleven suggestions for improvements in processing and analyzing naked short selling complaints, yet the Division agreed with only one of those eleven recommendations.

Equally troubling is the Division's reluctance to agree with the IG and the Commission itself that naked short selling is harmful. As the IG notes, the "SEC has repeatedly recognized that naked short selling can depress stock prices and have harmful effects on the market. In adopting a naked short selling antifraud rule, Rule 10b-21, in October 2008, the Commission stated, 'We have been concerned about 'naked' short selling and, in particular, abusive 'naked' short selling, for some time.'"

In response to the IG report, however, the Division stated "there is hardly unanimity in the investment community or the financial media on either the prevalence, or the dangers, of 'naked' short selling."

As the new leader at the SEC, you have an opportunity to clarify the Commission's commitment to end abusive short selling. We hope that your April meeting produces an unambiguous commitment to promulgate and enforce regulations that put an end to naked short selling. At a minimum, those regulations should address the need for an uptick rule, as well as a pre-borrow requirement to prevent naked short sellers from artificially depressing or diluting stock values.

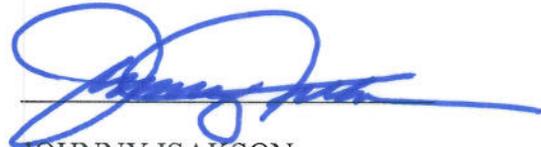
To be clear, we are not opposed to short selling itself, which can enhance market efficiency and price discovery. But naked or abusive short selling has gone unaddressed for too long and simply must end if the SEC is to restore investor confidence in the markets. In the absence of a strong message from the SEC, we believe Congress will need to consider legislation that directs the SEC to do so.

Thank you for considering our views.

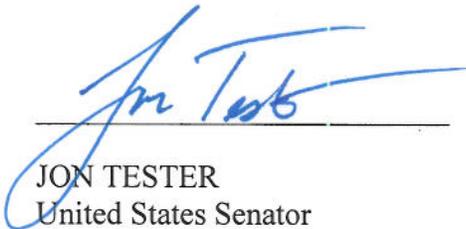
Sincerely,



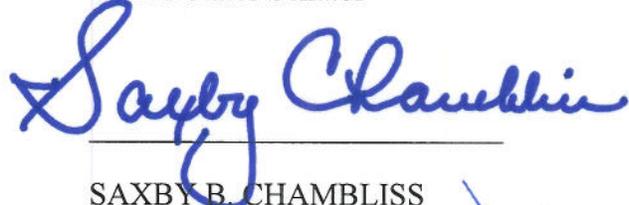
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United States Senator



JOHNNY ISAKSON  
United States Senator



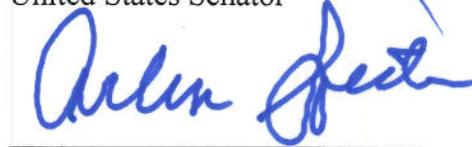
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