

ELIZABETH DOLE

NORTH CAROLINA

305 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-6542
FAX: (202) 224-1100

United States Senate

WASHINGTON, DC 20510

COMMITTEES
ARMED SERVICES
BANKING, HOUSING, AND
URBAN AFFAIRS
SPECIAL COMMITTEE ON AGING

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Dear Mr. Cockman:

Thank you for taking the time to contact me regarding the "naked" short selling of stocks and the Security and Exchange Commission's (SEC's) Regulation SHO. Receiving your ideas and concerns is so important in order for me to represent you, and our state, to the best of my ability in the U.S. Senate.

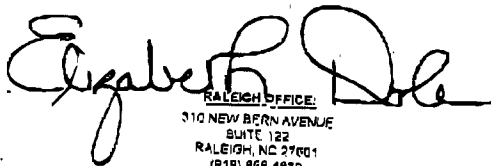
As you may know, short selling of stock is the common and legal practice in which short sellers borrow stock, sell it, and attempt to profit by buying back the same stock at a lower cost. Short selling is useful tool to identify stocks that are overvalued and helps to establish their prices in an economically efficient manner.

"Naked" short selling, on the other hand, occurs when the broker does not actually borrow the shares bought by the investor. I agree with you that this practice has become a serious problem, as it potentially can distort the market. I firmly believe that markets must be transparent so that companies are held accountable for their actions and so that investors are able to receive the best information possible on the stocks they buy.

In 2004, the SEC adopted Regulation SHO, which took effect on January 3, 2005. Regulation SHO provides a new uniform national standard to prevent naked short selling. The regulation requires that brokers must be able to verify that they have either borrowed the securities they sell or have a documented arrangement to borrow them, or have a legitimate reason to believe that they can access and deliver the securities to the buyer by the due date, with documentation to prove that this is the case. I understand that many people are concerned about the SEC's enforcement of this regulation. Because Regulation SHO is so new, I believe that we must give the SEC time to fully implement its system for enforcement. If, however, Regulation SHO does not prove to be effective at preventing the naked short selling of stocks, Congress may need to address this problem and work to find a better solution for the long term.

Thank you again for taking the time to share your ideas and concerns. If I can be of further assistance, please do not hesitate to contact me.

With my warmest best wishes,



GREENVILLE OFFICE:
306 SOUTH EVANS STREET
GREENVILLE, NC 27658
(252) 329-1093
FAX: (252) 329-1097

HENDERSONVILLE OFFICE:
401 NORTH MAIN STREET
SUITE 200
HENDERSONVILLE, NC 28792
(828) 898-3747
FAX: (828) 698-1287

RALEIGH OFFICE:
310 NEW BERN AVENUE
SUITE 122
RALEIGH, NC 27601
(919) 858-4830
FAX: (919) 858-4023

SALISBURY OFFICE:
225 NORTH MAIN STREET
SUITE 304
SALISBURY, NC 28144
(704) 833-3011
FAX: (704) 833-2937