

December 27, 1999

Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0609

RE: File No. S7-24-99

Dear Mr. Katz:

The North American Securities Administrators Association (NASAA)<sup>1</sup> appreciates the opportunity to comment on the Concept Release proposed by the Securities and Exchange Commission regarding the regulation of short sales of securities.

NASAA recognizes the important role that “short-sellers” have traditionally played in the market by contributing to both market liquidity and pricing efficiency. These efforts mirror NASAA’s overall goal of maintaining a national market system of securities that is both transparent and fair to investors. However, we also recognize that “short-selling” has been used as a tool to manipulate the market. Historically, these manipulative schemes have contributed to “bear raids,” the most significant of which, some have speculated, contributed to the 1929 stock market crash. The Commission’s original inquiry and adoption of Rule 10a-1 in 1937 was as a direct result of the 1929 stock market crash and other subsequent manipulative efforts on the part of short-sellers.

Our members, individual state securities administrators, have always stressed the importance of coordinating their regulatory efforts with their federal counterparts. We hope to continue to build upon this already strong relationship within the area of short sales oversight.

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<sup>1</sup> The oldest international organization devoted to investor protection, the North American Securities Administrators Association, Inc., was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico. NASAA is the voice of securities agencies responsible for grass-roots protection and efficient capital formation.

Therefore, we strongly believe that the Commission's effort to review Rule 10a-1 of the Exchange Act with the aim of bringing it in line with the challenges of the modern market place is a step in the right direction, by balancing the individual and corporate participants' needs and concerns. We would strongly oppose any attempt to eliminate the Rule and predicate enforcement actions solely on the antifraud and anti-manipulative provisions of the securities laws. We believe that abusive short selling in the aggregate can add to downward price movement and aggravate existing market conditions. Abusive short selling often when combined with other fraudulent market activity such as "touting", price manipulation and insider trading - creates an environment that is anathema to the individual investor and their interests. Finally, we believe that the original intent of the rule is as valid today as it was when it was originally adopted.

NASAA appreciates the opportunity, presently, as well as in the future, to provide guidance and comments in this area of great investor protection concern and importance. If I can be of further assistance, please contact me directly at (317) 232-6690. Thank You.

Sincerely,

Bradley W. Skolnik  
President  
Indiana Securities Commissioner