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July 17, 2008

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

Erik Sirri
Director
Division of Market Regulation
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Emergency Order of July 15, 2008

Dear Chairman Cox and Director Sirri:

The American Bankers Association¹ is most concerned about the unintended consequences the Commission's emergency order of two days ago will have on those of our members who are not primary dealers and, thus, are not covered by the terms of the order prohibiting naked short selling in the stock of these firms. Our fear is that when this order goes into effect at 12:01 EDT, Monday, July 21st, those market participants that are actively involved in executing short selling strategies will focus their naked short selling trading strategies on those publicly traded banks and bank holding companies not covered by the order. As the Commission is aware, it would be an understatement to say that short interest in financial services companies has greatly increased over the year. We believe that naked short selling and the repeal of the up-tick rule have contributed to the increase in short interest in bank and bank holding company stock.

¹ ABA brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry's \$13.3 trillion in assets and employ more than two million men and women.

Notwithstanding the fact that the overwhelming majority of the 8,500 banks in this country are well capitalized, that bank capital levels are largely unaffected by bank stock prices, and that the FDIC serves as backstop in protecting depositors against the loss of their insured deposits, our members, over the past weeks, have witnessed bank customers equating precipitous drops in bank stock prices with the safety of bank deposits. The emergency order could further exacerbate a loss of confidence in the safety and soundness of this country's banking industry.

The Commission's emergency order prohibiting naked short selling should be expanded to include publicly traded banks and bank holding companies. Without such action, the potential exists that the Commission's action could backfire and disrupt an industry that is essential to the functioning of the economy.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Edward L. Yingling". The signature is fluid and cursive, with a prominent initial "E" and "Y".

Edward L. Yingling
President and CEO
American Bankers Association

cc: Commissioner Paul Atkins
Commissioner Kathleen Casey
Commissioner Elisse Walters