

COALITION OF PRIVATE INVESTMENT COMPANIES

News Release

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CPIC: SEC SHORT SELLING RULES "TOUGH AND BALANCED"

*Group Says Commission Understands Role of Short Selling
in Improving Markets for Investors*

WASHINGTON, D.C., September 17, 2008 - The Coalition of Private Investment Companies (CPIC) today called the Securities and Exchange Commission's (SEC) new rules governing short selling transactions a "tough but balanced" approach.

"It appears the Commission has put forth a tough but balanced proposal that recognizes the important role that short selling plays in capital markets," said CPIC Chairman James S. Chanos. "The Commission and staff appear to have adopted an approach that safeguards investors and market integrity while also recognizing short selling as a vital component in helping investors obtain fair prices when buying or selling securities."

A final rule the SEC released today removes the exception for market makers from the close out requirements of Regulation SHO. A new interim final rule puts a "hard cap" on the T+3 delivery requirement by prohibiting broker-dealers who violate the requirement on behalf of a short seller from further short sales in the security, unless they are located and pre-borrowed. Lastly, the Commission adopted a final rule to make it a fraud for a customer to lie to a broker about whether they have located stock to be borrowed and delivered within the three-day settlement period.

Commenting on the proposals, Chanos said, "Removing the market maker exception would further reduce what is already a low percent of fails to deliver. Tightening anti-fraud statutes certainly makes sense in sending a strong signal to market participants that providing false information about stock borrowing will be dealt with harshly.

We all share the same goal: eliminating the problems that arise in stock lending and clearing. Keep in mind that so called "naked-shorting" arises only after a trade has been legitimately entered. Solving these problems will improve markets for the benefits of all investors."

Said Chanos, "We strongly support the idea that stock should be delivered within the traditional T+3 timeframe. We are concerned, however, that implementation may lead to unintended consequences and call upon the SEC to carefully monitor how this untested interim rule works."

Said Chanos, "While we are still reviewing the details, it appears that the rules will ensure short selling can thrive while also addressing abuses in the market where someone acts with no intention to borrow or arrange to borrow securities. We believe that markets are best served when there is a level playing field between buyers and sellers, which in turn produces prices that better reflect fundamental values."

CPIC did question the need to dispense with normal notice and comment procedures. "These are unique and troubled times but we continue to believe that government regulation is improved when all stakeholders have an open opportunity to have their views heard before rules go into effect."

About the Coalition of Private Investment Companies

CPIC is a coalition of private investment companies whose members and associates are diverse in both size and investment strategies managing or advising an aggregate of over \$100 billion in assets.

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