"UPTICK RULE" REINSTATEMENT A MATTER OF NATIONAL SECURITY: Request for reinstate the Uptick Rule immediately (either original version or a better, more stringent model). The SEC terminated the uptick rule on July 6, 2007. Since then, our financial markets have been more volatile than otherwise warranted. The lack of an uptick rule has allowed short biased hedge funds to nearly destroy our financial services segment and specific stocks as they sold shares that are out of favor. At present, no buyers are required to step in before they short again. The losses from this increased downdraft have cost investors many Trillions of dollars more than would be likely under current economic terms. Market uncertainty has also contributed to a lack of investor confidence, which simply compounds the problem. I consider the lack of the uptick rule (and SEC failure to enforce existing naked short selling limitations) to be a matter of National Security because a rogue nation can short stocks far lower than they otherwise could with far less capital invested (without the requirement for buyers to enter the market between short transactions). We want a secure nation from a military standpoint. However, we are wide open for a financial terrorist attack at any time from outsiders with oil, drug, or other large amounts of money. Charles Schwab (the famous brokerage house owner) and Robert Pozen (head of MFS Investments) have written editorials to the WSJ supporting reinstatement of the uptick rule. SEC is currently bogged down with high profile investigations of swindlers such as Bernard Madoff and Arthur Nadel. The dollar volume of these cases pale in comparison to the importance of a reinstated uptick rule.

I also suspect that short interest from hedge fund bear raids is no longer being accurately being tracked. I have identified some examples of stock prices reacting wildly to news that might be tied to excess short interest not otherwise reported. Our economic system can be destroyed in a short period if the uptick rule is not restored and enforced rigorously. Financial and insurance stocks may be past a point of recovery but without confidence in our system, the whole economic system could be lost.

The culprits in these short / bear attacks:

1. use short selling (without an uptick rule), especially for out of favor stocks or sectors
2. purchase Credit Default Swaps (CDS) on target stock debt
3. people buy puts after seeing debt CDS prices rise
4. individual and institutional owners sell when options activity swings bearish
5. credit rating agencies downgrade stocks from risk of default (whether warranted or not)
6. investors are afraid to buy back in as a result of fabricated fear
7. the cycle starts anew.

In a perfect world, fear would not be an issue to cause the downfall we have seen that is exaggerated by short sellers. However, we do not live in a vacuum. People against reinstatement of the uptick rule are living in a dream world or are in support of those short biased hedge funds.