June 8, 2009

Mrs. Elizabeth Murphy
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington DC, 20549-1090

Ref. File No: S7-08-09

Dear Mrs. Murphy,

I would first like to thank the Securities and Exchange Commission for the opportunity to comment on the proposed amendments to Regulation SHO. As a daily follower of the markets, it is very important to my occupation to be involved with and comment on any proposed regulatory changes, as these rules affect my every day.

As I have come to recognize and appreciate, the Securities and Exchange Commission regulate with the notion to promote both the quality and efficiency of the markets. As noted in the Proposed Rule Release No. 34-59748, the Commission has long held the view that short selling provides the market with important benefits, including market liquidity and pricing efficiency. By reinstating the proposed short sale restrictions and circuit breaker alternative, I believe the quality and the efficiency of the equity markets have a chance at becoming damaged for several reasons.

One of the reasons is that these restrictions would directly affect the volume of the markets and impede trading. Volume would be driven out of the markets because it would affect the different types of trading that require short selling, such as arbitrage and even intraday trading. But regardless of the trading strategy, short selling provides significant liquidity to the buyers in the equity markets, balancing out the interests on both sides. Furthermore, in a 2004 Pilot Study, the Commission found little empirical justification for maintaining short sale restrictions, especially for actively traded stocks. It did find some evidence that short sale price tests dampened intraday volatility for certain stocks and reduced the volume of executed short sales. Volume and liquidity are a clear benefit to our equity markets and if reduced as a result of short selling restrictions, our equity markets could become less efficient.

Part of the strategy behind short selling is the belief that the stock is going to decline. As counterparty to the idea behind buying stocks, short selling provides the markets with pricing efficiency. If these short-sale price test restrictions are instated, the pricing of equities in the market will become distorted. This is so because the price of stocks can become artificially inflated and/or easier to manipulate to the upside. Consequently, stock prices could also reflect *this risk.* These are all factors that can contribute to inefficient pricing.

Without question, the volatile declines in the fall of 2008 were downright historical. But it is still unclear to me how short selling particularly had a detrimental effect on the market. Among other events, financials still declined for a period of time, even when they were not shortable. Therefore, I respectfully request the Securities and Exchange Commission to consider the above inefficiencies that short selling restrictions can create for our markets and future. And in doing so, examine more closely the effects, if any, short selling had on recent 2008-2009 market events.

Thank you for your consideration,

Leslie Knittel
Trillium Trading, LLC