June 1, 2009

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

Re: File No. S7-08-09 Proposed Amendments to Regulation SHO

Dear Ms. Murphy:

I write in opposition to the proposed amendments to Regulation SHO. I am a registered principal at Trillium Trading and have been trading equities for ten years. I believe the proposed short sale price restrictions or circuit breaker restrictions would serve no purpose, especially not the stated goal for the measures to "help promote market stability and restore investor confidence." The only effect of the measures would be to reduce liquidity in the marketplace, hinder price discovery, and restrict an important aspect of capitalism.

The ban on short selling this past fall is a prime example of the uselessness of short selling restrictions in promoting market stability and restoring investor confidence. On September 19th, 2009, the SEC instituted a temporary emergency action to prohibit short selling in financial companies. Financial stocks were therefore unshortable until October 9th, 2009. In that three week period, the exchange traded fund IYF, based on the Dow Jones U.S. Financial Index, fell from an opening price of $78.33 on September 19th to a closing price of $54.11 on October 8th, the last trading day with the ban in effect. **In the absence of short selling, financial stocks fell 31% in three weeks.** The fall in the stock market was due to long stockholders driving down stocks by selling out of their long positions. It is clear that short sellers were not responsible, in fact, it is proven impossible for short sellers to have had any downward effect on the stock market in this time period.

Furthermore, as I write this, the Dow, S&P 500, and Nasdaq are all positive on the year. All three of these indices are up over 30% from their lows of the year. This has happened without an uptick rule or circuit breakers in place.

The U.S. economy always goes through boom and bust stages. The volatility in the stock market the past two years is not the result of short selling. It is the result of a bubble in real estate prices finally popping, and the realization that the entire economy and financial infrastructure of the country was tied through massive leverage to the falling prices of this asset bubble. When the internet bubble in the stock market popped in 2000, were short sellers to blame? Or was it the natural price action of an over-inflated stock market, rising year after year, finally coming back to earth?

A short sale is a hedge against the natural bust phase of the cycle of the economy. It is not merely a bet that stocks will go down. It is a hedge against the risk of being long other stocks. It is a hedge against losing your job because the economy is contracting. It is protection so that you can at least somewhat offset the losses in your retirement portfolio. Short selling serves an important purpose, and should not be burdened with further restrictions.

The most extreme restrictions on short selling were useless in stabilizing the market or restoring investor confidence in the fall of 2008. Lesser measures would be equally useless. Short selling is simply not to blame for losses in the stock market. The uptick rule was abandoned a few years ago precisely because studies showed it had no positive effect on the stock market, and that finding has not changed.

Thank you for your time and for considering my concerns regarding the SEC’s proposed rule changes.

Sincerely,

Brian Ingram