June 4, 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'm writing in reference to the SEC round table discussion about potentially reinstating the uptick rule or some modified version of the uptick rule. As a trader I watch the markets on a tick by tick basis and I believe that putting any form of the uptick rule back into effect is bad news for an already unstable market. It will have absolutely no effect on correcting the fundamental flaws of the market.

It was abolished, just a couple years back because researchers and panelists decided that it had no real effect on how the markets actually traded. It was a long biased rule to begin with, artificially inflating the capital markets, because investors/market makers who wanted to short had to short higher than they really wanted and they could not short any stocks which should be going down.

For true efficiency to take effect the market needs liquidity and a balance of buyers and sellers in this market. There are people who believe that stocks are under priced and buy them, and some who believe stocks are over priced and short them. This balance is removed with the uptick rule as more people then have to be more biased long with the new created difficulty to short stocks.

Most people believe that it's the uptick rule helped to create the economic mess that we see ourselves in today. While that is far from the truth, people also fail to realize that there are some actual fundamental flaws that do contribute towards volatility and had much more of a hand in the market's recent deterioration. Naked short selling and leveraged inverse ETF's had more to do with the trading imbalance and the sharper down moves for the market's correction this past year.

People were not following the rules put forth by the SEC and finding stock to borrow was more of a contributor in that people would just short more shares of a stock to get it to go down. That created more of a panic than was necessary as there were both short sellers and long investors who paniced. Leveraged inverse ETF's also played a larger role in the volatility of the markets and the faster deterioration of stocks. Those ETF's that are 2x or 3x leveraged (SKF, SRS) were used as a tool for people who couldn't locate stock to short. People would then just buy up those inverse ETF's looking for a 2-3x return as the market continued it's downward trend. Instead of still trying to short stocks they could not locate.

In conclusion, I want to reiterate that people have the wrong idea of the uptick rule. There is already a greater risk in shorting stocks as there is a limited upside and unlimited downside for the investor/trader. To make it harder for that person to short stocks will only artificially inflate stocks, with no bias towards an efficient stock market. If shorting becomes harder, inverse ETF's will once again be the optimal tool for people to short the market. I hope you will seriously consider all of the research that went into changing the rule to begin with. It was changed for a reason and should not just be reversed at the request of our government.

Sincerely,

Jonathan Lockhart