June 15, 2009

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

Ref. File No: S7-08-09

Dear Ms. Murphy:

As a registered representative from Trillium Trading, I write to strongly advise against any short sale restriction, whether it contain a short sale price test or a circuit breaker. I do not have to cite any statistics, as experts agree that an uptick rule does not affect the movement of a stock (as opposed to no uptick rule). An uptick rule or any modified version of it makes bad economic sense. What's more, by adopting this rule, the SEC would have to abandon core values of its mission: maintaining fair markets and facilitating capital formation.

Establishing an uptick rule reduces liquidity in the market, making little economic sense. Some supporters of an uptick rule argue that establishing an uptick rule does not affect market efficiency so instituting such a rule would cause no harm and appease lawmakers' concerns that investors will be protected from downward spirals caused by short sellers. However, the SEC conducted its own study confirming short selling does not create downward spirals in stocks. Therefore, reinstating the uptick rule would only appease the false beliefs of lawmakers, most of whom have shown gross ignorance in regards to financial markets. Since the restriction of short selling in any capacity reduces liquidity, the investment community (including main street investors and traders like myself) would suffer. Let's do a simple addition problem in the event of an uptick rule: reduction of market liquidity + no change in how stock prices move = negative impact on society. As a result, an uptick rule would harm society as a whole, with no benefits other than appeasing Congressmen in their false beliefs.

The SEC clearly states that its mission is to "protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation." Although the uptick rule preserves orderly and efficient markets, it fails to maintain fair markets and facilitate capital formation. In the presence of an uptick rule, a fair market will only exist if a corresponding downtick rule is instituted. Restricting short selling is not fair to the shorts as much as it is unfair to the longs. Suppose that supporters of the uptick rule are correct: short sellers manipulate stock prices. On the SEC's website regarding Regulation SHO, the SEC cites an abusive short sale example where a person "engages in a series of transactions to depress the price of a security for the purpose of inducing the purchase or sale of the security by others." The immediate scenario that comes to mind is a situation where short selling triggers stop orders that depress the price of a stock. However, the opposite instance can occur as well, where abusive buying can trigger limit orders that artificially pushes up a stock. Both instances manipulate stock prices. In order to maintain fair markets, therefore, a downtick rule must be established in the presence of an uptick rule.

Moreover, when liquidity is reduced as a result of an uptick rule, some investors would be discouraged from investing in the stock market, inhibiting capital formation. How can the SEC institute a rule that contradicts its own beliefs?

I implore the SEC to evaluate the decision to implement an uptick rule based on the merits and implications of the decision and not submit to political pressure. An uptick rule would only reduce liquidity, discourage capital formation, and do nothing to protect investors.

Thank you for your time and consideration of my comments.

Sincerely,

Andrew Lee
Trillium Trading, LLC