

May 26, 2009

Chad Stogel
Trillium Trading, LLC
417 5th Avenue, 6th floor
New York, NY 10016

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,

While some may argue that the reinstatement of the uptick rule may help to curb the overzealous volatility recently experienced in the market, I am fearful that this rule may have adverse effects on the efficiency of the market and simply decelerate an inevitable decline in a particular stock. Primarily, the requirement to short sell with a price test, either based on last sale data or a bid test, reduces the liquidity in a specific stock by eliminating additional market participants on the sell side that would otherwise be present. Subsequently, an uptick rule creates asymmetry in the market by requiring specific price action prior to the opening of a short position, whereas a price test is not necessary preceding the initiation of a long position.

While I am confident that overregulation in the form of an uptick rule does little to prevent the inevitable, and diminishes the free market system, I am also convinced that some form of regulatory action should be taken to prevent situations that drive stocks to levels undoubtedly below their fundamental values. I believe that a circuit breaker, which prohibits short selling after an unwarranted price decline, would be an acceptable means towards preventing these extreme downward moves.

In an interview, Australian hedge fund manager, Martin Fahy discusses the significant amount of liquidity provided explicitly by investors and traders using borrowed stock to short sell. With a price test, traders may be less willing to short sell, even in exceedingly appropriate situations, because of the potential inability to execute orders at desired prices. This reduction in market participants may significantly reduce the liquidity in the stock and ultimately distort the efficiency of the market place. Several market experts have argued that the elimination of an uptick rule at an earlier date may have provided a greater opportunity for aggressive short selling in stocks, which included Bear Stearns and Fannie Mae, at the earliest signs of deterioration. This action may have been able to prevent the magnitude of the bubble that led to the most recent turmoil. Furthermore, large retail investors rely heavily on this added liquidity to achieve execution at reasonable prices because of the large scale at which they are trading. Many of these large investors include charities and special endowments, who will likely suffer the inability to achieve execution at the best market prices with the return of an uptick rule.

I am convinced that the reinstatement of the uptick rule is an incorrect means towards combating excessive volatility in the market. A price test prior to a short sale decreases liquidity, worsens execution, creates asymmetries, and ultimately diminishes the efficiency of the market. As a result, large investors, charities, and university endowments may suffer. I am confident that a more appropriate approach would be a circuit breaker that suspends short sales in a stock after an unwarranted price decline of a specific enormity. With this solution rather than a price test, we can guard the integrity of the market, while protecting investors from excessive price collapses.

Sincerely,

Chad Stogel

Works Cited:

Fahy / Finsia, Martin. "Short Selling & Liquidity." Interview. 26 May 2009
<<http://richard-wilson.blogspot.com/2008/03/short-selling-liquidity.html>>.

***This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. All market prices, data, and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of Trillium Trading LLC. Please direct any questions regarding this legal disclosure to the Compliance Department of Trillium Trading, LLC at Compliance@TrilliumTrading.com ***