June 7, 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 must request the S.E.C does not reinstate the Uptick Rule. The dynamics and world wide interest in the U.S. capital markets will suffer greatly. Also, the small investors of the world, many of whom are mistakenly calling for the reinstatement of the Uptick Rule for protection, will be further disadvantaged.

First, the Uptick Rule is being made the scapegoat for the markets recent tumultuous decline. During the three week short selling ban, the financials stocks continued to fall off 30%. Short selling did not cause that decline. It was the efficiency of the markets punishing excessive risk taking and the extremely leveraged firms that caused the problem. Many comments on the S.E.C. website claim that companies were driven out of business by short sellers. I cannot find an example where this was the case. In our transparent market, everything is out there for any investor to see. If a stock is beaten down and does not deserve the lower market value, some institution will eventually prop up the stock price if it sees good value in the company. The bankruptcies we've seen were the results of excessive leverage, fallacious accounting and excessive risk, not the lack of an Uptick Rule.

Reinstatement of the Uptick Rule will hurt the incredibly liquid U.S. Markets. Lack of liquidity in the credit markets is what caused many of the stock price declines as firms were forced to mark-to-market their positions and post huge losses, hurting their fundamentals and hence their stock price. When someone has to buy stock, some of the offers posted are from people who do not have a long position, but have advanced algorithms determining their opinion of the company's value at that split second. Take away the ability to short, liquidity suffers. Is less liquidity something we need in the U.S. Markets? The U.S. will most likely see further dollar depreciation as we plunge further into debt. So, now you add less liquidity to a depreciating dollar, on top of the recent talks of possibly not having the dollar as the 'world's currency' anymore. This will hurt the U.S. even more if we see capital fly to other countries.

Reinstatement of the Uptick Rule will also cause inefficiencies in the market which can effectively hurt the small investor who may not have the time to study all the in depth financial statements and SEC Filings. Investors were probably drawn into the 1990's internet bubble. Some investors probably lost fortunes by still playing the tail end of it and buying worthless companies at extraordinary prices. A recent example of this is GOE, a Credit Suisse security that tracks gold and trades at $1/100^{th}$ of gold's price, approximately $9 a share, then all of a sudden, this stock shoots to about $90 and because the stock was not shortable, it stayed at these insane prices. An uninformed investor, that has greater life concerns, may see this and its recent performance and buy this security at a 1000% premium. They must have been surprised when it was delisted because the security did not do what it was intended to do. The inability to short restricts true price discovery and efficiency, leading some people, like in the GOE case, to pay $100 for a $10 bill.

Finally, the Uptick Rule puts the small investor at a further disadvantage from Wall Street Firms since it does not apply to market makers, the very ones with the largest capital reserves that have plunged us deep into this mess. Now we, the small investors, must be restricted on how we invest? Also, hedging of positions will be made more difficult. In uncertain times like now, do we really need it to be difficult to hedge our investments?

The Uptick Rule must not be reinstated unless we are searching for inefficiency, less liquidity, and more ways to hurt the small investor.

Sincerely,

Kenneth V. Coffey