June 5, 2009

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

Re: File No S7-08-09

Dear Mrs. Murphy,

My experience trading at a private securities firm (presently Trillium Trading) since 2001 has led me to conclude that there is no need to reinstate the Uptick Rule or place any restrictions whatsoever on shorting stocks.

I oppose the reinstatement of the Uptick Rule based on the following grounds:

1. The Uptick Rule would not prevent market down moves

Many investors and politicians have blamed short sellers for the recent declines in the financial markets. They unfortunately have used short selling as a scapegoat for having ignored company and market fundamentals.

After numerous allegations, there has been no empirical evidence that short-selling "Bear raids" either actually exist or have negatively impacted stock prices. Instead a great deal of stocks lost value because they simply had far greater liabilities than assets and shareholder equity on their books. Much of the public seemed to be happy to blame short sellers for the markets woes while overlooking years of horrific business and investment decisions, principally in the over-inflated housing sector.

Yet, one gets an entirely different perspective when one looks at short selling in the context of late 2008 / early 2009 stock market activity. When short selling restrictions were put in place for 799 financial institutions on September 19, 2008 for three weeks, those 799 financial stocks actually DROPPED around 30% during that period. But just recently (with no shorting limitations in place), the US markets have rallied from their March 2009 lows to positive levels for 2009 as of early June 2009.

Just as it was shown with the SEC's own extensive study from 1999-2006 on the effects of short selling on the equity markets, recent market events have demonstrated that short selling neither pushes markets down nor prevents them from going up. Rather, short selling is a key element of stock market dynamics, as will be discussed next.

2. The Uptick Rule would interfere with a stock's price discovery and decrease stock and market liquidity

The Uptick Rule or any other short-selling limitation would impact the price discovery mechanism of a stock by increasing spreads and volatility due to decreased selling liquidity. A stock's price is based on the equilibrium point of a series of buyers and sellers or bids and offers. By limiting the ability of investors and speculators alike to add liquidity to the offer of a stock, the SEC is inherently creating a price distortion that will force buyers to pay more for stocks across a potentially increased spread. Additionally, when short-sellers go to cover their positions when a stock is falling, they actually step in as buying support in a stock. By limiting short-selling activity, the SEC would be removing liquidity from both the bids and offers of stocks and interfering with the market's natural price discovery process.

Reduced liquidity, irregular price discovery and a distorted competitive field can only hurt the average investor, as noted in the following paragraph.

3. The Uptick Rule would create an uneven playing field for the individual investor

The Uptick Rule would negatively impact individual investors forcing them to pay more for stocks and would create an even more uneven playing field in the stock market. Increased spreads and lack of liquidity would force individual investors to pay across greater spreads every time they bought a stock. More importantly, while individual investors would be forced to oblige by the Uptick Rule, "market-making" Wall Street firms wouldn't be restricted by the Uptick Rule. It is unfair that the same Wall Street firms that created this financial crisis, which led to calls for greater short-selling restrictions, will have a significant edge over savvy investors that wish to take advantage of both up and down moves in stocks.

Individual investors and market participants as a whole need a marketplace that is free of artificial price distortions or regulations. The Uptick Rule or any other short selling limits would not serve to protect investors from market down moves; would only increase spreads; and would put the individual investor at an unfair position against market making Wall Street firms.

It is for these reasons I oppose the Uptick Rule or any other restrictions on short selling.

Thank you for your attention.

Sincerely,

Charles William Hansford