June 1, 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:

Due to a significant decline in investor confidence over the past couple of months, the once used uptick rule is now being considered for reinstatement. I disagree with this action and request that this rule not be brought back to the stock market.

By reinstating the uptick rule, this would significantly limit liquidity in transactions and make the stock market less efficient. An inefficient market would make it harder for smaller retail investors to place orders and hedge their positions, while giving power to market makers who try to make money for themselves through the spread. A market maker who quotes a buy and sell side of securities, and buys from and sells to investors, would benefit by making a larger spread in this case. Imposing restrictions on short sellers decreases liquidity, which forces these investors to accept a larger transaction cost, accept a worse price, or even prohibit trading at all. Therefore, when the small investor wants to sell, or to short in order to hedge one of their positions, they will have to pay the mark up from the market makers to get their transaction completed. The main goal of these market makers, who are large banks and institutions, is to make money off of this spread, which will then be charged to all investors wanting to make simple transactions.

It is easy to understand the opposition of the argument because people lost a portion of their retirement or net worth in the stock market over the past few months. Now, these people are looking at short sellers as a scapegoat to blame for this sharp decline in the stock market. In the middle of September 2008, short selling was banned indefinitely for financial stocks. Even with this restriction in place, the Dow Jones Industrial Average declined by more than 800 points, or nearly seven percent in a single day on September 29th just days later. Furthermore, one must realize that for every transaction in the stock market, whether it is buying, selling, or short selling, it is always a zero sum game. There is always a buyer and a seller in every transaction. In the long term, whether a company turns out to be the next Apple or Bear Stearns, there will always be a buyer and seller, and a winner and loser. Adding an uptick rule to short selling does not prevent the collapse of a company, but only limits liquidity and efficiency in the market.

Sincerely,

Adam Stanowick