



September 9, 2009

Ms. Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Proposed Amendments to Regulation SHO
Release No. 34-60509
File No. S7-08-09

To the Commission:

Atherton Lane Advisers, LLC (“Atherton Lane”) is an SEC registered investment adviser that offers comprehensive wealth management and investment counseling services to private clients. We are writing to offer our comments on the proposed amendments to Regulation SHO. In particular, our comments are focused on the Alternative Uptick Rule which is the subject of the Commission’s re-opening of the comment period, the Proposed Uptick Rule, the Proposed Modified Uptick Rule.

Eliminating short selling abuses is an important step to be taken by the Commission to restore investor confidence. Atherton Lane recognizes that short selling does contribute to price discovery, price efficiency, and market liquidity, and we believe that overly restrictive regulations could damage the efficient functioning of the market. We agree with the Commission that Regulation SHO amendments should “allow relatively unrestricted short selling in an advancing market” but stop “potentially abusive or manipulative short selling from being used as a tool for driving the market down.” We were pleased to see that one of the abusive short selling practices—naked short selling—was addressed by the Commission’s recent adoption of final Rule 204T. As described below, we do not support the Alternative Uptick Rule. We do, however, support the reinstatement of the Uptick Rule and therefore request that the Commission amend Regulation SHO by adopting the Proposed Uptick Rule.

The Alternative Uptick Rule would not allow short selling at the current national best bid or last sale price, but instead would only permit short selling only at an increment above the current national best bid in an advancing or declining market, unless an applicable exception applies. The Commission acknowledges that the Alternative Uptick Rule would not allow short sales to get immediate execution, even in an advancing market, and would thus restrict short selling to a greater extent than the Proposed Uptick Rule or the

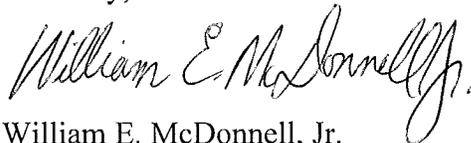
Proposed Modified Uptick Rule. While the Alternative Uptick Rule may be easier to monitor, cost less, and be implemented more quickly than the other proposals, we believe that those factors are outweighed by the costs acknowledged by the Commission, including lessening the benefits of short selling such as an impact on spread widths, quote depths, market liquidity, execution and pricing efficiencies.

We do not support the “circuit breaker tests” proposed in April 2009, primarily because the tests would still allow abusive short sellers to drive down the price of a stock at least 10% on any given day even before the circuit breaker would kick in. In addition, during periods of extreme market volatility, circuit breakers could potentially impact far too many stocks on any given day and damage the benefits of short selling.

While we believe that there is some merit to the Proposed Modified Uptick Rule, the Proposed Uptick Rule is the best approach. The uptick rule served as an effective means of balancing the competing interests of both the short seller and market integrity for 70 years. We believe that the repeal of the uptick rule in 2007 contributed to the extreme market volatility and abusive short selling experienced in 2008 and early 2009. We agree that the exceptions included in the Proposed Uptick Rule “promote liquidity and foster the workability of the rules without undermining the effectiveness of the proposals.” Market participants are familiar with the old uptick rule and the improved Proposed Uptick Rule could be easily implemented.

Based on the foregoing, we respectfully request that the Commission amend Regulation SHO by adopting the Proposed Uptick Rule. We thank you for the opportunity to comment on this proposal.

Sincerely,

A handwritten signature in black ink that reads "William E. McDonnell, Jr." The signature is written in a cursive, flowing style.

William E. McDonnell, Jr.
Chief Compliance Officer