

The Honorable Mary Schapiro, Chairman

Securities and Exchange Commission

Re: File No. S7-08-09

Date: 3 January 3, 2010

Dear Chairman Schapiro,

A Bloomberg news article dated Dec 30, 2009, indicated that the Commission was slowing down its approach to a wide range of regulatory proposals. Short sale regulation was mentioned but was not the focus of the article. It has been almost four months since the Commission asked for additional comments on the SHO regulatory proposal and I hope that your efforts to rein in short selling has not gotten waylaid by some of the same forces that are attempting to halt the various other initiatives mentioned in the article. The piece goes on to suggest that comments made by three hedge funds prompted the delay on regulating short sales until next year.

It is "next" year now and I urge you to move forward on the proposed SHO regulation as quickly as you can. This recovery of stock prices will end and sooner than you think. One thing that has not occurred with the recovery of stock prices and that is complacency. Unlike the last long decline lasting over a year and half, investors are poised to act and will flee this market without any hesitancy. The next downturn will be swift and as painful if not more so than the last – and yes, it will be argued once again that short selling did not cause the decline in stock prices but it is completely illogical to think that selling short at the bid in a declining market, does not contribute to or exacerbate the problem.

Acting now, in an up market, and requiring short selling to be done through offering stock rather than hitting bids, you will see the positive aspect of the new rule i.e. short selling actually contributing to liquidity. It is the second most important reason for enacting the rule without the circuit breaker concept. Obviously, the most important reason for enacting the rule without the circuit breaker is to stop the short sellers from stepping in front of long sellers and usurping the liquidity of whatever buying interest might appear when stock prices are declining. If you choose to add the circuit breaker, than I suggest - do not bother with changing any of the regulation. The overall effect a circuit breaker will have on stock prices will be exactly the same as having unrestricted short selling as exists today because it will be a rare event when the circuit breaker would trigger the rule – and you would at least save all the market participants the costs and aggravation of tracking every stock on a daily basis for no real purpose.

There is zero downside to taking this step. On the positive side, the Commission will have adopted a rule that is easy and cheap to implement, very easy to enforce and will be far more effective than the old up tick and bid test rules. It would be helpful to do so quickly and not after the market is down 20 or 30% and everything is being considered in a crisis atmosphere. The entities negatively affected will be those using computer algorithms for detecting and taking advantage of their minute profit opportunities. Even if you accept their argument that unrestricted short selling doesn't cause

downturns then either way, their lack of participation should not be a problem for the market because even they cannot argue they are contributing to liquidity on the downside by hitting bids. Whatever their contribution might be, the market will go on without it.

The SEC is at a critical point in maintaining its role as the primary regulator of the financial markets. Choosing the correct path to take on short selling is just one of the many challenges you face but keeping your focus on protecting the interests of the investing public is the surest way to achieving that goal. Failure to act now, will effectively put the issue right back into the hands of Congress. It will jeopardize the other important proposals the Commission is trying to implement and in my humble opinion, put the SEC in jeopardy as well. It would be a real tragedy to risk that for the sake of mollifying the hedge funds and other trading entities that employ unrestricted short selling as one of their core trading strategies.

Respectfully,

Glen Shipway