Richard M. Leadley
Elizabeth A. Leadley
[redacted]

November 25, 2008

Senator-Elect Mark Warner
1029 N. Royal St.
Alexandria Va. 22314

Dear Sen-Elect Warner

As an investor and avid follower of the stock market, I am extremely concerned about the state of our economy, and in particular, the American Stock Market. I firmly believe that trillions of dollars of recent Market Losses are largely due to the elimination of the "uptick" rule. Let me elaborate further on this condition of this rule and the harrowing implications of it's elimination.

By definition, the **uptick rule** is a securities trading rule used to regulate short selling in financial markets. The rule mandates, subject to certain exceptions, that when sold, a listed security must either be sold short at a price above the price at which the immediately preceding sale was affected, or at the last sale price if it is higher than the last different price. In 1938, the SEC had adopted this rule, more formally known as *rule 10a-1*, after conducting an inquiry into the effects of concentrated short selling during the market break of 1937. The SEC subsequently eliminated the uptick rule in July 2007 because an SEC commission, in a pilot study of this rule, had "determined" that the uptick rule "modestly reduced liquidity"

On August 27, 2007, slightly less than two months after elimination of the uptick rule, the New York Times published an article on Muriel Siebert former state banking superintendent of New York, "Wall Street veteran and financial sage", and, in 1967, the first woman to become a member of the New York Stock Exchange. In this article she expressed severe concerns about market volatility: "We've never seen volatility like this. We're watching history being made." Siebert pointed to the uptick rule, saying, "The S.E.C. took away the short-sale rule and when the markets were falling, institutional investors just pounded stocks because they simply didn't need an uptick"

On the March 20, 2008 episode of *Mad Money,* Jim Cramer, the Harvard-educated media guru of Wall Street, launched his campaign to reinstate the uptick rule. Citing the wild swings of the market since its elimination, Cramer said that the SEC eliminated the rule during a Bull market when liquidity was not a problem. Cramer believes that, without the uptick rule in place, short sellers are devaluing perfectly solid stocks. On a recent episode of *Mad Money*, Cramer further underscored the true scale of the absence of the uptick rule, exclaiming that Obama must "reinstate [the uptick rule], a rule put in place to prevent a repeat of the great crash."

On July 3, 2008 Wachtell, Lipton, Rosen and Katz-an adviser on mergers and acquisitions, said short-selling was at record levels and asked the SEC to take urgent action and reinstate the 70-year-old uptick rule. On November 20, 2008, they renewed their call stating "Decisive action cannot await ... a new S.E.C. Chairman. ... There is no tomorrow. The failure to reinstate the Uptick Rule is not acceptable."

Sincerely Yours,

Richard M. Leadley
Elizabeth A. Leadley
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