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September 12, 2007

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Comments on Proposed Amendments to Regulation SHO
File No. S7-19-07

Dear Secretary Morris:

Medis Technologies Ltd. appreciates the opportunity to provide comments on the United States Securities and Exchange Commission's proposed amendments to Regulation SHO. Medis Technologies is a publicly traded (NASDAQ) company located in New York engaged in the design, development and marketing of innovative liquid fuel cell products principally for the mobile handset and portable consumer electronics markets.

We write in support of the Commission's proposed amendments to Regulation SHO, which governs short trading of equity securities. An artificially high volume of short sales in an issuer's stock, which is made possible by the current gaps in Regulation SHO, makes the issuer and its shareholders more susceptible to voting and trading abuses. This is particularly true for issuers that are thinly traded or have a lower market capitalization. The elimination or limitation of exceptions to delivery requirements proposed in these amendments will help reduce some of the current abusive trading practices and apparent market manipulation.

These proposed amendments, however, do not address one fundamental aspect of short selling that currently harms many individual investors, often without their knowledge. Specifically, many investors are unaware that their shares are being loaned out by their brokers to short sellers to cover short positions, and that their brokers receive substantial revenue from this practice. Consequently, shareholders often become unwitting participants in driving down the price of their own holdings, with their brokers reaping the gains at the investor's expense. We strongly encourage the Commission to consider additional changes to Regulation SHO that would require brokerage firms to fully disclose and clearly explain to their customers their policies and practices with respect to lending of shares, and provide a simple and clear method for a customer to opt out of a general consent to such lending.

Overview

In general, a “short sale” involves the resale of a borrowed security; a brokerage firm or a stockholder “loans” the security to the seller, who then sells it to a purchaser on a promise to deliver. The lender of the shares is then repaid by the purchase and delivery back to the lender of the shares of equivalent securities. The short seller is able to profit by retaining any difference between the price paid for the borrowed security and the price paid to purchase securities to return to the lender. Regulation SHO provides the regulatory framework for short sales by establishing requirements to locate securities available for borrowing in order to be able to deliver such securities to the purchaser on the settlement date of the transaction, marking all sales “short” or “long,” and imposing additional restrictions on companies that have accumulated a high number of unsettled trades of its securities, or “failures to deliver.”

Overvoting

Even where short sales occur within the parameters of Regulation SHO, excessive share lending and short selling can create problems for an issuer and its shareholders. One issue of concern is the potential over-distribution of voting rights. This can occur where shares are loaned to short sellers, who in turn sell the stock to other investors. Where the volume of short sales of a security is particularly high, shares can be lent repeatedly, and brokerage firms appear to be unable to track the real-time ownership of the shares and attendant voting rights. If loans of shares occur in close proximity to a company’s record date for corporate elections, proxy materials may be sent to both original owners and sometimes multiple borrowers, leading to the voting of more shares than have actually been issued. While in many cases such “overvoting” is simply due to recordkeeping failures and not any nefarious activity, the result is still an inaccurate and invalid counting of votes. Further, the current rules do not prevent more opportunistic investors from “borrowing” large blocks of shares and voting the shares to their advantage, often driving down the stock price in the process.

For example, a short seller may seek to borrow shares of a company’s stock just before the company’s announced record date for a corporate election or other proposal, and then vote the shares in a manner that diminishes the stock’s value. The short seller, having thus forced down the price of the stock via his voting of the borrowed shares, is now able to profit by repurchasing the shares to return to the lender at the lower price he helped to create.

Overselling and “Naked” Short Selling

Second, short selling can result in dilution of a stock’s value by continuously flooding the market with “sell” orders, artificially driving down the stock’s price. This in turn may lead to more shorting as sellers seek to profit from the stock’s falling price, ultimately creating a market with fewer available buyers than sellers and further reducing the value of the subject security.

Furthermore, companies with lower market capitalizations and already identified as targets for manipulation by their inclusion on the SEC’s threshold list are also susceptible to abuse by “naked” short sellers, or sellers who sell shares that they neither own nor have made arrangements to borrow. Although Regulation SHO in its current form ostensibly permits a short sale only where the security has been borrowed or bona fide arrangements to do so have been made, the exception for options market makers (even when not abused in the manner described

below) enables a theoretically unlimited number of sales of options by such market makers, creating an artificial dilution of the shares underlying the options, driving share prices down and resulting in decreased value to the issuer and its shareholders. The exception for "grandfathered" securities permits shorted sales to remain unsettled indefinitely. We believe that these exceptions create loopholes in the short selling regulatory scheme which too often and too easily result in damaging and abusive practices.

An additional, more serious consequence of share lending and short selling is the potential for the creation of counterfeit shares and the manipulation of an issuer's stock price. Although much of the activity relating to such market manipulation is illegal, we believe Medis' continued listing on the SEC's threshold securities list and high short position has made it and similarly situated companies a target for unscrupulous traders.

One method of counterfeiting shares and manipulating both the stock and the options market involves the purchasing of options in an issuer by a market maker, who then sells a large corresponding block of shares of the underlying security. These transactions are often timed to occur just before the option expiration date or shortly after the issuer reports favorable news. Although we believe these "reverse conversion" transactions to be illegal attempts at market manipulation, Regulation SHO's current options market maker exception helps provide a partial refuge for offending traders, and a company's elevated short position makes suspicious trades, such as these, more difficult to detect.

Suggested Changes

We believe that the proposed amendments to Regulation SHO will help to close certain loopholes facilitating the trading and market abuses described in this letter, and we further encourage the Commission to continue its enforcement activities with respect to naked short selling and other questionable practices. Additionally, we support further investigation by the Commission of abusive short selling and its potentially negative effects.

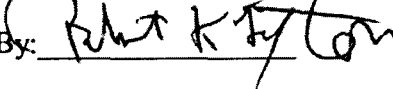
We support the elimination of Regulation SHO's options market maker exception and the "grandfather" provision, and encourage the Commission to complete the administrative steps to accomplish this change as quickly as possible. However, we believe that these changes are inadequate to fully inform the investing public about the increasingly prominent practice of share lending by brokerage firms, short selling, and the potentially harmful consequences stemming from this trading activity.

Because most brokerage agreements contain "boilerplate" provisions permitting brokers to lend shares held by them in street name with no notice and without the shareholders' direct consent, stockholders generally are unaware that their shares, and possibly their voting rights, are being loaned to facilitate short sales. This practice is directly at odds with the SEC's policies and principles advocating full disclosure, increased transparency, and investor protection. We believe that shareholders, if made aware of this practice and its unintended consequences, would more actively monitor the lending of their shares, their loss of voting rights, and the potential dilution of their investment. We propose that the Commission consider prohibiting brokerage agreements from including terms in their fine print that permit the general lending of shares with no notice to shareholders. We recognize that requiring the express consent of shareholders to every loan by a broker of shares held in its street name would be unwieldy. Accordingly, we

suggest a requirement that brokers provide adequate disclosure of any general consent provision in their brokerage agreements and give shareholders the opportunity limit, "opt in" or "opt out" of this consent.

Sincerely,

Medis Technologies Ltd.

By: 

Robert K. Lifton

Chairman and CEO