

July 25, 2008

An Open Letter To Chairman Christopher Cox  
U.S. Securities and Exchange Commission  
Washington, D.C.

Dear Commissioner Cox:

Your comments before the House Financial Services Committee on July 24<sup>th</sup> gave me hope that we can not only address the problem of abusive short-selling successfully, but coincidentally create a more vibrant equities market in the process. Herewith, some simplistic proposals I feel would achieve our mutual objectives:

In your commentary you noted that a recent study concluded that penny-pricing was ineffective and that the SEC is looking at alternative price tests based on 5 or 10-cent price moves. In this regard it is instructive to note that the Commission issued an Order in June of 2000 to permit the Exchanges and the NASD to select a uniform MPV (minimum price variation) for stock quotations of no greater than five cents and no less than one cent. In July 2000, the NYSE, on behalf of the group, submitted a Decimals Implementation Plan that set the MPV for equity securities quotations at a penny. In July 2002, the Commission approved rule filings that established the MPV at a penny. I raise this point to make the case that a five cent MPV is not inconsistent with SEC thinking.

Accordingly, I suggest that the emergency order issued last week to nineteen large financial institutions be continued indefinitely, until such time as it can be codified as a permanent stand-by regulatory tool of the SEC. Part of the codification process must include a provision to modify the "reasonable grounds" alternative in Regulation SHO to insure legitimacy of transactions effected thereunder. Know, however, that as long as a 1-cent MPV is in place, sophisticated opportunists can structure destructive synthetic naked short positions with ease. On the other hand, a 5 or 10-cent MPV, coupled with the modification of the "reasonable grounds" alternative mentioned above would provide regulators all that is necessary to assure fair and equitable principals of trade. It is well to note that when we traded in eighths (MPV=12.5 cents), nefarious trading schemes could not be effected.

In sum, two simple changes that would resolve our current problems and set the stage for serving ninety million American investors with the quality of equity markets they so rightly deserve are:

- 1) Change the MPV to 5 or 10-cents
- 2) Modify the "reasonable grounds" exceptions as noted.

Sincerely,



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