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September 24, 2008

The Honorable Christopher Cox  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: **SEC Release No 34-58592/Sept. 18, 2008**  
**Emergency Order Pursuant to Section 12(k)(2) of The Securities Exchange Act of 1934 Taking Temporary Action to Respond to Market Developments.**

Dear Chairman Cox:

With the current crisis in the financial markets, and based on our long-standing, productive dialogue with legislators and regulators, the Security Traders Association has been patient with and supportive of the SEC's actions relative to short sales. However, given continued market stress, it is clear that the continued emphasis on short selling, without rigorous analysis and the opportunity for public comment, is not serving the intended purpose of supporting market integrity.

The securities industry is experiencing burdensome expenses in system adjustments and altered procedures in order to conform with the new orders. At the same time there is confusion as to what is expected, in what timeframe, and by which market participants. At a minimum, greater clarity is required. As a result of current confusion regarding regulatory and operating requirements for affected firms, we are witnessing increased investor and industry confusion and loss of confidence in our markets - the exact opposite of our collective objective.

Moving forward, the Association wishes to reiterate its support for investors through the retention of legitimate short sales as a key mechanism for generating market liquidity, securing price discovery, and fostering corporate accountability and responsibility.

The STA stands by its commitment to support legal short selling as a critical component of overall liquidity without which we degrade our markets. Further, we strongly confirm the need for, and crucial importance of, retaining the market maker exemption (for both cash and derivative markets), for the liquidity and efficiency of the markets. Finally, we believe that aggressive enforcement of existing regulations continues to be the preferred deterrent to illegal and abusive short selling.

The STA has historically supported an appropriate balance between regulation and competition, which we believe leads to market confidence and sustained U.S. competitiveness. We believe that this balance exists in the U.S. Equity markets. In this regard, the STA supports the ongoing efforts by the Treasury, Federal Reserve and other financial regulators to bring greater transparency to the credit swap and to OTC derivative markets in order to lower systemic risk in the financial system.

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Cleveland Security Traders Association  
Security Traders Association of Connecticut  
Dallas Security Traders Association  
Denver Security Traders Association

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Security Traders Association of Wisconsin

*Dictum Meum Pactum*

Today short selling has, improperly, become a lightning rod for all that is wrong with the market. The STA is concerned about these unprecedented new restrictions on short sales. What began as an attempt to dampen volatility by restricting short selling in 19 financial services sector stocks has now expanded into a global program encompassing multiple sectors. Of particular concern is that these historically important trading practices not undergo further restriction, either in duration or number of issues, beyond October 2, 2008, without the opportunity for public comment. This reiterates the position we took when the July Emergency Order was put into effect.<sup>1</sup>

Emergency Orders, implemented in haste and for short time horizons, run the risk of doing more harm than good - without addressing the underlying causes and conditions that led to the current situation. Existing SEC regulations make it illegal to collude, act in concert with others and prohibit market manipulation. The SEC has the authority to pursue and bring to justice any market participant who acts in such a manner. The STA strongly supports aggressive enforcement of these regulations.

We strongly agree with House Financial Services Committee Chairman Barney Frank's statement in a letter to SEC Chairman Christopher Cox on April 4, 2008, that: "Under appropriate conditions, short selling contributes to the efficiency of capital markets. But manipulative or collusive short selling threatens the market's integrity."<sup>2</sup>

We acknowledge, and respect, the efforts that created these temporary orders, however, we remain convinced that they should be short in duration and not further expanded.

We are committed to lending our perspective on these issues in the days and weeks ahead. We will continue our ongoing dialogue with legislators and regulators who face difficult choices, and it is our hope that the insights we bring will aid in their decision making process.

Respectfully,



Bart M. Green  
Chairman



John Giese  
President & CEO

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<sup>1</sup> Letter to SEC Chairman Christopher Cox July 23, 2008.

<sup>2</sup> House Financial Services Committee Chairman Barney Frank letter to SEC Chairman Christopher Cox April 4, 2008.