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February 27, 2009

Dear Mr. Paredes,

It is abundantly clear by now how the regulatory changes by the SEC in 2007 were colossal mistakes contributing to the historic increase in stock market volatility over the last year. The extraordinary volatility has sapped public confidence, decreased consumer spending, increased public risk aversion, and substantially increased the cost of capital. Until confidence in our markets is restored which the SEC has almost totally destroyed, pouring more money into the ailing economy will have a muted effect. Market stability and confidence could be immediately improved at no cost to American taxpayers by simply reversing the 2007 SEC rule changes. Since July of 2007, the SEC has shifted the securities markets away from the interests of long-term public investors and toward the interests of short sellers, speculators, and hedge funds.

Specifically, this is what needs to be done now.

1) Reinstate the Uptick Rule for short selling. On July 6, 2007 the SEC got rid of the Uptick Rule regulating short sellers which had been in place since 1938 because of short selling bear raids during the Great Depression. The same month the Uptick Rule was taken out (July 2007), the volatility on the stock market immediately spiked by 70% as measured by the VIX Index, and has continued to increase


2) Reinstate the NYSE Program Trading Curbs. On November 2, 2007 the SEC allowed the NYSE to get rid of the Program Trading Curbs that had been in place since the 1987 stock market crash. The NYSE formerly implemented a curb on program trading whenever the NYSE Composite Index moved 190 points or more from its previous close, and permitted program sales to be executed only on upticks and program buys on downticks. Again, the removal of these curbs further increased stock market volatility and benefited only speculative interests.

3) Suspend the "Mark to Market" accounting. On November 15, 2007 the SEC allowed the Financial Accounting Standards Board (FASB) to implement this type of accounting for public companies which has been a disaster to the balance sheets of banks. They are now forced to substantially mark down the value of their mortgage assets because of market conditions when there is currently only a 3% default rate on mortgages nationwide. If "Mark to Market" accounting had been in place during the Savings & Loan Crisis in the early 1980's, many more banks would have failed. Instead, they were able to carry their assets at cost and worked off the excesses over the next few years.

I urge you to please do what you can to request that the SEC reinstate the Uptick Rule, reinstate the NYSE Program Trading Curbs, and suspend the "Mark to Market" accounting rules.

Thank you for your help with this matter.

Sincerely and respectfully,


John Sigmon, CPP®, CFS, MBA
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