ALLSTON
TRADING LLC

September 21, 2009

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Re: File Number S7-08-09, Amendments to Regulation SHO

Dear Ms. Murphy:

In light of the Securities and Exchange Commission's (the "Commission") newly proposed amendment to Regulation SHO under the Securities and Exchange Act of 1934 (the "Exchange Act")[1], Allston Trading LLC ("Allston" or the "Firm") would like to take this opportunity to add to its original comment letter. As stated in the Firm's previous letter,[2] Allston is a high-frequency algorithmic trading firm and does not engage in any customer business; all of its trading is exclusively proprietary in nature. Allston generally acts as a market maker in the securities markets; adding a significant amount of liquidity without taking a particular view on the direction of the market or a particular security.

Once again the Commission recognized in its rule proposal that short selling provides important benefits to the marketplace.[3] Short selling activity provides liquidity to the market, narrows spreads, creates more efficient pricing, and benefits customers by providing a better market and lower trading costs. Additionally, short selling prevents the upward manipulation of pricing and helps to ensure that the price a customer pays is not artificially high. While specific situations may exist where short selling can be used to manipulate the market, it is important to not overlook the benefits of short selling.

The alternative uptick rule as proposed would limit the execution of orders marked as short sale to a price above the current bid and would not allow short sales to be executed immediately, even in an advancing market.[4] Limiting short sale executions in this way could cause customers to pay higher prices for stocks. For example, a market participant willing to sell to a customer at a price equal to the best bid would be prevented from doing so unless the seller held a long position. The customer's options for execution are then limited to paying a price above the best bid or waiting for a long seller. Additionally, arbitrage opportunities between equities and other markets, such as futures

[1] Securities Exchange Act Release No. 34-60509, (August 17, 2009), .74 Fed. Reg. 42033 (August 20, 2009) (the "Newly Proposed Amendment").

[2] See Comment Letter on Amendments to Regulation SHO, from William Connell on behalf of Allston Trading LLC (June 18, 2009) at p. 1. (Available at http://www.sec.gov/comments/s7-08-09/s70809-3736.pdf).

[3] See Newly Proposed Amendment, p. 9.

[4] Id. at 5.

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or options, will be limited by not prohibiting immediate executions of short sales. Arbitrage creates more efficient markets and better prices for all investors. Restricting the ability to complete these arbitrage trades could significantly reduce the efficiency of the market to the detriment of the individual investor. Further, short sales provide a protection to customers and all market participants that the price they are paying for stock is not artificially high. A rule requiring short sales at a price above the current best bid degrades that protection. Allston does not believe that the benefits this proposal offers, such as ease of implementation and less complicated monitoring obligations, outweigh the negative effect this proposal would have on the market.

We also strongly encourage the Commission to bear in mind the intended purpose of these proposals as it considers which rule, if any, it should implement. The Commission stated in its initial request for comment that its reasons for re-evaluating a price test or other system of controlling short sales were to restore investor confidence and prevent "bear raids." The extreme restrictions on short sales proposed in the alternative uptick rule go beyond the Commission's stated intentions. The Commission has recognized the benefits short selling provides to the market but this new proposal sacrifices those benefits in exchange for a quick and easy implementation. It is the Commission's duty to consider all possible effects of such a significant rule change including the severity of its unintended consequences. We respectfully caution the Commission against having too narrow a focus when considering the impact of these rules. We acknowledge it is difficult to determine what actions will help to restore investor confidence. However, it is unlikely that less efficient pricing, higher costs to investors and less protection against artificially inflated prices would be a tradeoff investors were willing to make for a quick and easy implementation.

Allston does not believe the Commission should implement the alternative uptick rule as proposed. The Firm stands by its original comments that the Commission has sufficient rules in place to address the issues at hand and that proper enforcement of those rules would increase investor confidence. Again, if the Commission feels compelled to implement any of the proposed options, Allston believes the circuit breaker with a modified uptick rule is the best choice for the market and that exceptions for market makers and exchange trade funds should be included in the final rule, regardless of which proposal the Commission selects

Allston Trading appreciates the opportunity to comment on this issue and would be happy to answer any questions or provide any additional information that could assist the Commission with this decision.

Sincerely,

William Connell
President & Chief Executive Officer
Allston Trading LLC