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12/19/2006

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

Dear Ms Morris:

I wanted to make you aware of something you may be already. The SEC is very close to exempting all stocks from an up tick requirement for short sales. If you don't recall, this was put into force after the crash of '29 to protect stocks from easily being driven into the ground. Also, just a few years ago, when Japan installed the up tick rule, their market had one of the largest rallies ever. I'd like someone to explain why Japan installs and we delete the rule.

While I agree that over the long term, the absence of the up tick rule could make very little difference in "long term" market behavior, I am very sure that, in the short term, you will see numerous individual disasters that will be political suicide for those regulators (and the issuers who did not disapprove) who exempt stocks from the up tick rule. I am not referring to the results of extensive research into general market behavior. As I have said previously, the results have been, and probably will continue to be, negative, or in other words, pro-exemption. What I am talking about is the backlash that will occur because of ONE disaster in a rapidly falling market. That will be enough, just as "one" has been enough in the infamous Enron case, albeit unrelated to short selling. As an additional caveat, the current pilot has been run during an extremely non-volatile market. I consider myself somewhat of a scientist and the scientific investigation (Pilot) thus far has possibly indicated no need for a short sale up tick requirement(at least, in a non-volatile market). However, this is not about science, it's about politics. If the exemption is put in place, I can unequivocally guarantee it will be reintroduced at a later day with an awful lot of egg on regulators(and the issuers who did not disapprove) faces, because a disaster, or a few, if not many (in a volatile market), will occur.

Sincerely,
Jim Ferguson

Cc: Christopher Cox
Paul S. Atkins
Roel C. Campos
Kathleen L. Casey
Annette L. Nazareth