

July 28, 2008

Ms. Florence E. Harmon  
Acting Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**Re: Release No. 34-58166 (July 15, 2008); File No. S7-19-07  
Emergency Order Pursuant to Section 12(k)(2) of the Securities Exchange  
Act of 1934 Taking Temporary Action to Respond to Market Developments  
(“Emergency Order”)**

Dear Ms. Harmon:

Fairfax Financial Holdings Limited ("Fairfax") applauds the Securities and Exchange Commission's ("SEC's" or "Commission's") July 15, 2008 action to address abusive short selling practices, particularly manipulative activity associated with persistent fails to deliver ("FTDs"). As expressed in our letters of September 19, 2006, May 22, 2007, and September 12, 2007, Fairfax is on record with the Commission as endorsing the elimination of the options market maker exception.

**Fairfax Background**

Fairfax is a financial services holding company that is listed on the New York Stock Exchange ("NYSE") under the symbol "FFH". Through its subsidiaries, Fairfax is engaged in property and casualty insurance and reinsurance and investment management. As at March 31, 2008, Fairfax had total assets of approximately \$28 billion and total shareholders' equity of approximately \$4.8 billion. Our revenue for the twelve months ended December 31, 2007 was approximately \$7.5 billion.

## **Extension of SEC Emergency Order**

Fairfax, in its dual role as a substantial investor in the U.S. capital markets and as a U.S. public company whose securities, along with those of one of our subsidiaries', are listed on the NYSE, strongly supports extending the SEC's Emergency Order to the securities of all publicly listed companies, especially those companies whose securities recently have appeared on Regulation SHO's threshold security list.

The experience of Fairfax with respect to its appearance on the NYSE's threshold security list is illustrative of the need to expand the Emergency Order to other securities, including those that are less liquid than the securities receiving the protection of the Emergency Order. As communicated to the SEC in the letters referenced above, Fairfax persistently appeared on the NYSE's threshold security (at one point Fairfax appeared on the list for over 250 consecutive days). Fairfax dropped from the NYSE's threshold security list on June 12, 2007 after the SEC's publication of FTD data. However, last week Fairfax reappeared on the NYSE's threshold security list and remains on the list for the first time since June 11, 2007.

## **Proposal to Eliminate the Options Market Maker Exception**

Fairfax continues to support eliminating the options market maker exception in Rule 203(b)(3)(ii) of Regulation SHO and in the Amended Emergency Order (Release No. 34-58190 (July 18, 2008)) because of its detrimental impact on issuers and their shareholders and its susceptibility to significant abuse.

Some market participants have consistently argued that this exception is needed to allow options market makers to conduct legitimate hedging activities. However, on July 7, 2008, the Commission re-proposed elimination of the options market maker exception based on additional data that its Office of Economic Analysis gathered in support of its proposal. (Release No. 34-58107 (July 7, 2008)).

Fairfax continues to believe that the options market maker exception should be eliminated, at least during periods of market disruption as the U.S. equity markets have experienced this year. As an alternative to elimination of the options market maker exception, Fairfax respectfully resubmits its proposal that options market makers should be required to factor the cost of borrowing stock and selling short into the price of put options they sell. This approach would put the cost of hedging on the options market makers and their customers engaging in these derivative transactions, rather than transferring this financial burden to unsuspecting issuers and their shareholders by way of artificially inflated share volumes and reduced share price.

## Conclusion

Fairfax applauds the Commission's recent efforts to address and combat market manipulation, both with respect to the spreading of false rumors and abusive short selling activity. These efforts are important to the protection of investors and the integrity of the U.S. securities markets. Accordingly, Fairfax urges the Commission to broaden the scope of the Emergency Order to extend its protections to all securities of public companies, especially those whose securities recently have appeared on the threshold security list, and to take appropriate steps to eliminate abuse of the options market making exception.

Thank you for this opportunity to comment on these important issues. I would be pleased to discuss Fairfax's view with the Commission and its staff.

Yours truly,  


Paul Rivett  
Vice President and  
Chief Legal Officer