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Individual Investor

May 01, 2007

RE : Amendments to REG SHO Release No.: 34-54154, File No.: S7-12-06

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Dear Secretary :

This letter is in response to the comment letter sent by the following entities regarding the REG SHO amendment:

American Stock Exchange
Boston Options Exchange
Chicago Board Options Exchange
International Securities Exchange
NYSE/Arca
The Options Clearing Corporation
Philadelphia Stock Exchange

If anyone has data and evidence of the effects of any REG SHO amendment, it is these entities. However, they fail to provide any data and one should ask why that is. The claims made offer no data to support the claims. Some specific claims by these entities are in italics:

*“The NASD analysis supports our contention that the benefits of narrowing of the options market maker exception would be far outweighed by **the costs** of doing so.”*

However, no costs or cost analysis is provided what so ever. So how is anyone to believe or verify their claim? The SEC is bound by the APA to only make rules that can be justified with real data or evidence and justification. This is not a guessing game.

“Our comment letter stated that, as proposed, the narrowing of the options market maker exception would significantly harm the ability of options market makers to provide liquidity and narrow quote widths for options when the underlying security is a “threshold security” without addressing the root cause of the abusive naked short selling. We contended that the result would be unnecessary harm to investors and the marketplace.”

Again, there is a failure to provide any data to justify the broad claims. How much would liquidity suffer? How much would quote widths change or suffer? These questions remain unanswered. The statement also fails to identify the important fact that the contended harm to investors would be only to derivative investors in options, not equity investors in company shares. And again any harm is only contended, not proven or supported in any way. There is not even an attempt to show data. Why have the entities not provided the data they surely have?

The NASD analysis supports our contention that the benefits of narrowing of the options market maker exception would be far outweighed by the costs of doing so.

Again, what costs? Neither the original letter nor this letter provides any data on this at all. As such, according to the APA, the SEC can not just take all these claims at face value.

The NASD analysis shows that only a very small number of persistent fails are the result of reliance on the options market maker exception.

It makes little sense to risk this result in order to eliminate extended fails in a small number of threshold securities.

How can such a small number have a mark wide effect? This does not make sense. Perhaps the options market maker exemption is being used far more than appear through CNS Threshold securities? In any case, the entities quoted above who do have the data, decided not to provide it.

We strongly believe that any benefit of the proposed amendment would be very small compared to the costs imposed on options market making and the resultant harm to options customers and the options markets.

Here again, what are the costs? No data is provided despite the APA requirement and the SEC request to have comment letters provide data on claims made.

It also makes no sense to say that on the one hand, the options market maker exemption has a small effect and does not address the root cause of naked short selling, while at the same time saying that narrowing the exemption would have a huge effect on the options markets because naked short selling would be less. But at least they admit that the options market maker exemption is a cause of naked short selling.

My point is, should the SEC make any rules in reliance on these types of unsupported statements, per the APA, the SEC would then have to provide the missing data and analysis in their justification.

Sincerely

Thomas Vallarino