

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

VIA ELECTRONIC MAIL

June 25, 2007

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

Re: File No. S7-08-07, Amendments to Financial Responsibility Rules for Broker-Dealers

Dear Ms. Morris:

The American Stock Exchange, the Chicago Board Options Exchange, the International Securities Exchange, the Options Clearing Corporation, and NYSE/Arca, appreciate the opportunity to comment on File No. S7-08-07, Amendments to Financial Responsibility Rules for Broker-Dealers¹. In this release, the Securities and Exchange Commission is proposing amendments to its net capital, customer protection, books and records, and notification rules. Among other things, the proposed amendments to the customer protection rule would require broker-dealers to obtain possession and control over customer fully paid or excess margin securities that allocate to a proprietary short position or a short position for another person. Our comments relate primarily to this portion of the proposing release.

We believe that it is unclear who is included in “another person.” Nowhere in the proposing release is “another person” defined. Under the discussion of the benefit of this proposed amendment, it states that a broker-dealer would be required to obtain possession or control over fully paid or excess margin securities that allocate to a proprietary or customer short position. Our concern is whether a non-customer² is included in “another person.” More specifically, would a clearing broker-dealer be required to close-out a short position of an options market-maker that allocates to a customer long position?

¹ Securities Exchange Act, Release No. 55431 (March 9, 2007)(the “Proposing Release”).

² See 17 CFR 240.15c3-3(a)(1). This paragraph defines “customer” for the purposes of Rule 15c3-3. Broker-dealers, including options market-makers, are excluded from the definition.

If an options market-maker would be subject to a close out of its short position, then short stock positions that hedge open options positions would be closed out and leave the options market-maker unhedged and subject to market risk. This could harm the ability of options market-makers to maintain a consistent hedge that is integral to its market-making activities. We do not believe that the Commission intended this result in amending the financial responsibility rules regarding allocations to a short position.

The Commission should define the term “another person” in order to make clear who is subject to the close-out of its short position in order to obtain possession and control of customer fully paid or excess margin securities. In doing so, we urge the Commission to exclude options market-makers from the category of “another person.” Otherwise, the ability of options market-makers to hedge by shorting stock could be disrupted as described above. If, however, the Commission chooses to define “another person” to include an options market-maker, we request that options market-makers, at a minimum, be given the same 30 calendar day aging period as a broker or dealer that is a market maker in securities in order to accommodate the short selling that is integral to options market making. In addition, if including options market-makers, the proposed rule would need to make it clear as to whether the options market-maker could reestablish the hedge on the same day that the short stock position is closed out. While these last two suggestions would be helpful, they would not ameliorate completely the hedging disruption from closing out the short position of the options market-maker. For that reason we believe the best course would be to exclude options market-makers from the definition of “another person.”

Thank you again for the opportunity to comment on the proposed amendment to the customer protection rule. If you would like to discuss the issue raised in this letter, please contact Susan Milligan at 202-756-1972.

Sincerely,

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