



**International Bancshares
Corporation**

June 17, 2009

The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner
United States Securities and Exchange Commission
100 F. Street, NE
Washington, D.C. 20549-0609

Re: Securities and Exchange Commission Release No. 34-59748; File No. S7-08-09 (the
“*Proposed SHO Amendments*”)

Dear Chairman and Commissioners:

International Bancshares Corporation (“*IBC*”),¹ again respectfully submits this letter in response to the above release as a means to supplement IBC’s original comment letter filed with the Commission on June 9, 2009.² As discussed in more detail in IBC’s original comment letter,, IBC fully supports the Commission’s proposed rule to amend Regulation SHO under the Exchange Act of 1934 (the “*Exchange Act*”) to adopt a modified uptick rule based on the National Best Bid, and adopt a circuit breaker rule that would halt any increases in short positions in a particular security that suffers a ten percent (10%) intraday decline. In addition to the Commission’s call for comments on reinstating an uptick rule and creating circuit breakers, IBC also respectfully asks the Commission to: (1) vigorously enforce the current short selling rules; (2) institute a “pre-borrow” requirement for short sale transactions, or at the very least, make Rule 204T permanent; (3) promulgate disclosure rules for short sellers which mirror those obligations for long positions, (4) investigate the impact of the market maker exemption from the “locate” rule exemption under Regulation SHO in connection with the potential abuse of the clearing/settlement process creating naked short positions, and (5) promulgate rules which would require brokers to allocate lent stocks to specific margin account holders and disclose to the margin account holder of a loss of voting for those shares.

The purpose of this second comment letter is to emphasize that IBC strongly believes the lack of reporting and transparency regarding short selling activities facilitates the nefarious actions of a handful of short selling predators to the detriment of thousands of legitimate shareholders holding long positions. While the argument is often made that in a free market both the short and long sides of the market must be allowed to freely function, there is no rational basis to allow the short side of the market to function in the shadows without the same level of transparency and disclosures that apply to the long side of the market. It is illogical that while the dispensing of

¹ (NASDAQ: *IBOC*) is a \$12.4 billion multi-bank financial holding company headquartered in Laredo, Texas, with over 265 facilities and over 420 ATMs serving more than 101 communities in Texas and Oklahoma.

² Exchange Act Release No. 34-59748 (April 8, 2009).

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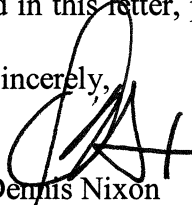
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information by the registrant and investors on the long side of the market is highly restricted and prohibits materially misleading or incomplete information, the short side of the market is allowed to freely publish manipulative reports that distort and exaggerate negative information for the purpose of creating doubt and confusion. This distortion is exacerbated by the inability of the long side of the market to effectively counter the abusive misinformation proffered by the short traders.

This information asymmetry grants an unfair advantage to short sellers and is inherently unfair to shareholders holding long positions. It is critical that the Commission adopt symmetrical disclosure rules in order to remedy the current regulatory structure that has the effect of protecting the manipulative abuses of a small number of short traders at the expense of an overwhelming majority of investors holding long positions. These changes would be consistent with the Commission's stated goal to enact reforms to improve investor protection and restore confidence in our markets.

Thank you for your consideration of this letter. If you have any questions or would like any further information regarding the issues raised in this letter, please call the undersigned at (956) 726-6614.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dennis Nixon', written over the word 'Sincerely,'.

Dennis Nixon
Chief Executive Officer and Chairman
International Bancshares Corporation

cc: Robert Khuzami, Director, Division of Enforcement
John W. While, Director, Division of Corporation Finance
James Brigagliano, Co-Acting Division of Trading and Markets
Daniel M. Gallagher, CO-Acting Division of Trading and Markets