



**International Bancshares  
Corporation**

ES133670

February 8, 2010

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

RECEIVED  
2010 FEB 17 PM 4:26  
CHAIRMAN'S  
CORRESPONDENCE UNIT

Re: Letter to Staff of the Division of Trading and Markets to supplement information presented at meeting held on November 3, 2009 to discuss short selling abuses

Dear Chairman and Commissioners:

Please find enclosed herewith for your information a copy of a letter dated February 1, 2010 that I provided to members of the staff of the Division of Trading and Markets. It supplements the information I presented at a meeting with them held on November 3, 2009. The meeting was organized by the American Bankers Association and attended by a number of financial institutions to discuss the abuses of short traders and the negative impact of such trading on financial institutions. I am the President, CEO and Chairman of the Board of International Bancshares Corporation ("IBC"), which is a publicly-traded \$11.4 billion multi-bank financial holding company headquartered in Laredo, Texas. I also personally attended the Commission's Securities Lending and Short Sale Roundtable on September 30, 2009.

It is our understanding that it is currently the intention of the Commission to establish a circuit breaker that will go into effect when a stock price is down 10% or more and that will then allow shorting only at a price higher than the best bid. We strongly believe the proposed action is inadequate. For this reason we provided staff with the supplemental informational regarding IBC's experience with fails to deliver. The IBC data illustrates that Rule 204 is not adequately curbing the abuses of short traders and that regulatory measures beyond the proposed circuit breaker are necessary.

We appreciate your commitment and the related time and efforts spent by the staff of the Division of Trading and Markets to curb abusive short selling activities.

Sincerely,

Dennis Nixon



**International Bancshares  
Corporation**

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February 1, 2010

Josephine J. Tao, Assistant Director, Division of Trading and Markets  
Matthew Sparkes, Staff Attorney, Division of Trading and Markets  
Susan Petersen, Special Counsel, Division of Trading and Markets  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-6628

Ladies and Gentlemen,

The purpose of this letter is to supplement the information that I presented at the meeting held on November 3, 2009 that was organized by the American Bankers Association and attended by a number of financial institutions to discuss the abuses of short traders and the negative impact of such trading on financial institutions. I am the President, CEO and Chairman of the Board of International Bancshares Corporation ("IBC"), which is a publicly-traded \$11.4 billion multi-bank financial holding company headquartered in Laredo, Texas.

As I discussed at the meeting, during 2009, IBC's short volume increased to a high of over 11 million shares, an increase of 891%. At its peak, short sellers represented over 21% of IBC's generally accepted float, and drove IBC's stock price from over \$24, to a low of \$6.55 in a matter of months. Since the meeting, we have gathered specific data about the fails to deliver in IBC stock during 2009. This data shows that during the height of the short trading in IBC stock during March through May of 2009, the fails to deliver were huge. We believe this data reflects that Rule 204 is not adequately curbing the abuses of short traders and that additional action by the Commission is necessary.

In response to the potentially negative market impact of fails to deliver, the Commission first adopted Rule 204T in October 2008 and then after noting the significant downward trend in fails to deliver since the adoption of the temporary rule, the Commission adopted final Rule 204 effective as of July 31, 2009. In Release Number 34-60388 regarding the adoption of the final rule, the Commission referenced preliminary data that show that fails to deliver under the temporary Rule 204 declined 56.6% from 1.1 billion to 478 million (which we note is still a very large number.)

The IBC data show that fails to deliver under the temporary Rule were huge. Please see the attached two documents detailing fails to deliver in IBC stock during 2009. The first chart sets forth every share that failed to deliver during the calendar year, arranged by date, and the closing price for each day is detailed in the right column of the chart. The second is a graph illustrating the trading activity in IBC for the 2009 calendar year in gray with the respective fails to deliver overlaid in orange.

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IBC has spent the last year with a team of professionals in educating, investigating and taking action to prevent what appears to be manipulative short selling in IBC stock. IBC has met with representatives of the Commission, American Bankers Association, FINRA, Nasdaq and several members of Congress, and submitted a twenty-two page comment letter dated June 9, 2009 on reinstating the uptick rule and a supplemental comment letter dated June 17, 2009 to tell IBC's story. I also personally attended the Commission's Securities Lending and Short Sale Roundtable on September 30, 2009. IBC's story exemplifies the negative effect short sellers have on financial institutions and for this reason IBC has continuously asked the government to vigorously enforce current short selling rules and to adopt further regulations to curb the abuses of short sellers. The abuses of short sellers can cause the sudden and irrational decline in the prices of equity securities and the deterioration in investor confidence in our financial markets.

Specifically, we continue to strongly urge the Commission to (1) reinstate the uptick rule based on the national best bid; (2) institute a "pre-borrow" requirement for short sale transactions; (3) adopt disclosure rules for short sellers which mirror those obligations for long positions; and (4) take other appropriate measures to curb the abuses by short sellers. It is our understanding that with respect to such proposed action, it is currently the intention of the Commission to merely establish a circuit breaker that will go into effect when a stock is down 10% or more and that will then allow shorting only at a price higher than the best bid. The Commission's proposal is inadequate and will not effectively curb the abuses of short sellers. In fact, based on the attached IBC stock price data it appears that the circuit breaker would have only been triggered twice during 2009 and neither of those instances would have occurred during the period when IBC was experiencing the largest amount of fails to deliver.

I continue to strongly urge the Commission to adopt regulatory reform and to take other appropriate measures to effectively preclude abusive short seller behavior.

Sincerely,



Dennis Nixon  
President, Chief Executive Officer and Chairman  
International Bancshares Corporation

February 1, 2010

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cc: The Honorable Kay Bailey Hutchison  
United States Senate  
284 Russell Senate Office Building  
Washington, DC 20510-4302

The Honorable John Cornyn  
United States Senate  
517 Hart Senate Office Building  
Washington, DC 20510-4304

The Honorable Ted Kaufman  
United States Senate  
383 Russell Senate Office Building  
Washington, DC 20510-0801

The Honorable Henry Cuellar  
United States House of Representatives  
336 Cannon House Office Building  
Washington, DC 20515-4328

The Honorable Steny Hoyer  
United States House of Representatives  
1705 Longworth House Office Building  
Washington, DC 20515-2005

The Honorable Luis Gutierrez  
United States House of Representatives  
2266 Rayburn Building  
Washington, DC 20515

The Honorable Paul Kanjorski  
United States House of Representatives  
2188 Rayburn House Office Building  
Washington, DC 20515-3811

Sarah A. Miller  
Senior Vice President  
American Bankers Association  
1120 Connecticut Ave., NW  
Washington, DC 20036

## IBOC

## FAILS TO DELIVER

2009

DATE	SYMBOL	FAILS	PRICE	DATE	SYMBOL	FAILS	PRICE
January 27, 2009	IBOC	14,417	\$17.53	August 17, 2009	IBOC	3,511	\$15.26
February 3, 2009	IBOC	24,127	\$18.02	August 18, 2009	IBOC	530	\$14.58
February 4, 2009	IBOC	22,100	\$17.21	August 19, 2009	IBOC	847	\$14.93
February 5, 2009	IBOC	25,000	\$17.02	August 20, 2009	IBOC	5,136	\$14.75
February 20, 2009	IBOC	34,217	\$11.59	August 21, 2009	IBOC	66	\$14.98
March 19, 2009	IBOC	179,195	\$8.75	August 24, 2009	IBOC	285	\$15.34
March 20, 2009	IBOC	83,531	\$8.31	August 25, 2009	IBOC	3,115	\$14.83
March 24, 2009	IBOC	88,518	\$7.46	August 26, 2009	IBOC	504	\$15.21
March 25, 2009	IBOC	89,336	\$7.58	August 27, 2009	IBOC	3,589	\$15.21
March 26, 2009	IBOC	60,300	\$7.71	August 28, 2009	IBOC	14,882	\$15.35
March 27, 2009	IBOC	11,459	\$7.94	August 31, 2009	IBOC	7,200	\$15.35
April 2, 2009	IBOC	21,360	\$7.82	September 1, 2009	IBOC	16,007	\$15.44
April 7, 2009	IBOC	32,432	\$8.53	September 2, 2009	IBOC	537	\$14.99
April 15, 2009	IBOC	98,218	\$9.46	September 3, 2009	IBOC	85	\$14.77
April 16, 2009	IBOC	66,471	\$9.64	September 4, 2009	IBOC	8,487	\$15.19
April 17, 2009	IBOC	222,942	\$10.40	September 8, 2009	IBOC	2,530	\$15.07
April 20, 2009	IBOC	52,147	\$11.53	September 9, 2009	IBOC	2,398	\$15.27
April 21, 2009	IBOC	32,838	\$10.59	September 10, 2009	IBOC	16,599	\$15.64
April 22, 2009	IBOC	58,854	\$11.59	September 11, 2009	IBOC	3,490	\$15.40
April 23, 2009	IBOC	30,009	\$11.85	September 14, 2009	IBOC	3,075	\$15.34
April 24, 2009	IBOC	217,024	\$11.36	September 15, 2009	IBOC	6,925	\$15.67
April 27, 2009	IBOC	75,511	\$11.98	September 16, 2009	IBOC	4,949	\$15.83
April 29, 2009	IBOC	22,883	\$11.86	September 17, 2009	IBOC	236	\$16.91
April 30, 2009	IBOC	37,574	\$13.01	September 18, 2009	IBOC	4,062	\$16.69
May 1, 2009	IBOC	18,548	\$13.51	September 21, 2009	IBOC	17,866	\$16.34
May 4, 2009	IBOC	87,359	\$13.23	September 22, 2009	IBOC	95	\$16.12
May 5, 2009	IBOC	162,913	\$14.65	September 23, 2009	IBOC	937	\$16.83
May 6, 2009	IBOC	118,391	\$14.14	September 24, 2009	IBOC	4,835	\$16.62
May 7, 2009	IBOC	83,762	\$14.93	September 25, 2009	IBOC	155	\$16.19
May 8, 2009	IBOC	32,227	\$13.68	September 28, 2009	IBOC	168	\$16.11
May 11, 2009	IBOC	18,939	\$14.60	September 29, 2009	IBOC	218	\$16.79
May 13, 2009	IBOC	26,723	\$13.83	October 1, 2009	IBOC	659	\$16.31
May 14, 2009	IBOC	18,200	\$12.05	October 6, 2009	IBOC	7,099	\$16.16
May 18, 2009	IBOC	17,692	\$11.65	October 7, 2009	IBOC	180	\$16.88
May 21, 2009	IBOC	127,527	\$11.67	October 8, 2009	IBOC	1,966	\$16.64
May 26, 2009	IBOC	11,752	\$11.09	October 9, 2009	IBOC	11,415	\$16.71
May 28, 2009	IBOC	19,544	\$10.99	October 13, 2009	IBOC	1,061	\$16.70
June 10, 2009	IBOC	13,835	\$10.72	October 14, 2009	IBOC	1,532	\$16.67
June 19, 2009	IBOC	25,367	\$10.74	October 15, 2009	IBOC	322	\$16.90
June 25, 2009	IBOC	40,363	\$10.01	October 16, 2009	IBOC	1,792	\$16.72
June 26, 2009	IBOC	12,264	\$10.20	October 19, 2009	IBOC	2,287	\$16.44
July 1, 2009	IBOC	291	\$10.31	October 21, 2009	IBOC	10,012	\$16.59
July 2, 2009	IBOC	1,794	\$10.70	October 22, 2009	IBOC	21,806	\$16.34
July 6, 2009	IBOC	64,989	\$10.19	October 23, 2009	IBOC	1,557	\$16.90
July 7, 2009	IBOC	9,264	\$9.94	October 26, 2009	IBOC	2,372	\$16.51
July 8, 2009	IBOC	1,100	\$9.72	October 27, 2009	IBOC	2,784	\$16.30
July 9, 2009	IBOC	508	\$9.50	October 28, 2009	IBOC	439	\$16.22
July 13, 2009	IBOC	372	\$9.18	October 29, 2009	IBOC	119	\$15.98
July 14, 2009	IBOC	800	\$9.76	October 30, 2009	IBOC	1,901	\$16.30
July 15, 2009	IBOC	128	\$9.76	November 16, 2009	IBOC	316	\$16.01
July 16, 2009	IBOC	1,378	\$10.45	November 17, 2009	IBOC	637	\$16.05
July 17, 2009	IBOC	351	\$10.79	November 18, 2009	IBOC	212	\$16.33
July 20, 2009	IBOC	608	\$10.33	November 19, 2009	IBOC	994	\$16.27
July 21, 2009	IBOC	3,187	\$10.46	November 23, 2009	IBOC	19,783	\$16.20
July 22, 2009	IBOC	4,086	\$9.95	November 24, 2009	IBOC	2,076	\$16.74
July 23, 2009	IBOC	4,506	\$9.99	November 30, 2009	IBOC	107	\$16.54
July 24, 2009	IBOC	367	\$10.32	December 1, 2009	IBOC	999	\$16.77
July 27, 2009	IBOC	2,802	\$10.19	December 7, 2009	IBOC	823	\$16.95
July 28, 2009	IBOC	750	\$10.86	December 8, 2009	IBOC	1,208	\$16.93
July 30, 2009	IBOC	440	\$11.40	December 9, 2009	IBOC	1,159	\$17.01
July 31, 2009	IBOC	2,387	\$12.34	December 10, 2009	IBOC	1,159	\$17.10
August 3, 2009	IBOC	49	\$13.18	December 11, 2009	IBOC	758	\$16.79
August 4, 2009	IBOC	6,788	\$14.29	December 14, 2009	IBOC	152	\$17.05
August 5, 2009	IBOC	23,041	\$14.12	December 16, 2009	IBOC	211	\$16.87
August 6, 2009	IBOC	34,420	\$13.96	December 17, 2009	IBOC	1,114	\$17.00
August 7, 2009	IBOC	170	\$14.14	December 18, 2009	IBOC	800	\$16.93
August 10, 2009	IBOC	6,294	\$15.74	December 24, 2009	IBOC	2,717	\$18.49
August 11, 2009	IBOC	364	\$15.87	December 28, 2009	IBOC	2,439	\$18.60
August 12, 2009	IBOC	5,203	\$15.31	December 29, 2009	IBOC	4,616	\$18.91
August 13, 2009	IBOC	5,156	\$15.67	December 30, 2009	IBOC	2,439	\$18.94
August 14, 2009	IBOC	14,591	\$15.72				

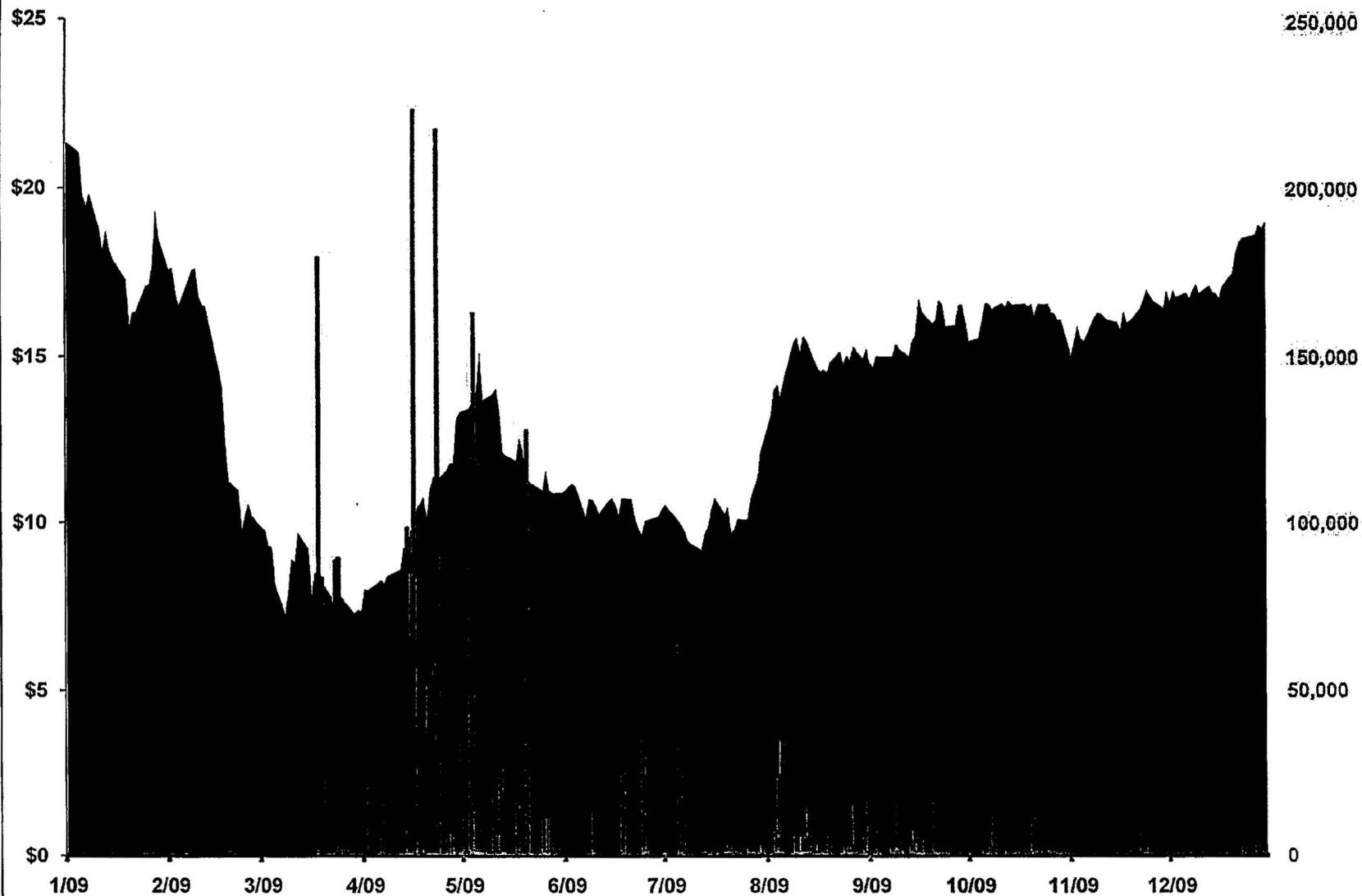


EQUITY INSIGHT

IBOC

DAILY CLOSING PRICE OVERLAID WITH FAILS TO DELIVER

2009



\*Fails To Deliver are indicated in Orange ; IBOC Closing Prices indicated in Gray.



EQUITY INSIGHT