

Helen Moore
Counsel
Market Regulation Department



March 12, 2007

Ms. Nancy M. Morris, Secretary of the SEC
U. S. Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090

Re: Regulation SHO Threshold List Analysis

Dear Ms. Morris:

This letter provides a high level summary of our analysis of the securities that appeared on NASDAQ's Regulation SHO Threshold List for a period of forty (40) days or longer following the initial list effective January 10, 2005, through the list effective August 11, 2005. Using NSCC clearing fail data, we determined that there were 148 unique securities on NASDAQ's Regulation SHO Threshold Lists effective January 10, 2005 through August 11, 2005 for a period of forty days or longer. The length of time the 148 unique issues remained on NASDAQ's Regulation SHO Threshold List during this time period ranged from 40 days to 150 days, with an average of 77 days. Of the 148 unique issues, 58 remained on NASDAQ's Regulation SHO Threshold List effective August 11, 2005.

Potential reasons for these 148 unique securities to be on NASDAQ's Regulation SHO Threshold Lists effective January 10, 2005 through August 11, 2005 for a period of forty (40) days or longer are as follows.

- For 90 unique issues, fails to deliver in the NSCC system existed prior to the security becoming a Regulation SHO Threshold security. Since the fails to deliver in these securities remained in place for all or part of the review period, it appears that these positions may have been exempt from the close out requirement of Regulation SHO under the "grandfathering" provision contained in SEC Rule 203(b)(3)(i).
- For 5 unique issues, fails to deliver in the NSCC system were held by one or more member firms known to provide clearing services for registered options market makers. Since the fails to deliver at these member firms were static for all or part of our review period, it appears these positions may have been exempt from the close out requirement of Regulation SHO pursuant to the bona fide market maker exemption of SEC Rule 203(b)(3)(ii).

Investor protection. Market integrity.

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- For 22 unique issues, 1) fails to deliver in the NSCC system existed prior to the security becoming a Regulation SHO Threshold security and remained in place for all or part of the review period; and 2) fails to deliver in the NSCC system were held by a one or more member firms known to provide clearing services for registered options market makers. It appears that these positions may have been exempt from the close out requirements of Regulation SHO under the "grandfathering" and/or bona fide options market maker exemptions as defined in SEC Rules 203(b)(3)(i) and 203(b)(3)(ii).

Please be advised that any statements contained in this letter should not be construed as an indication that the staff has made a determination regarding compliance with applicable NASD rules or federal securities laws by any person or entity with respect to the underlying activity in the relevant 148 securities.

If you have any questions regarding this matter, please feel free to contact me at (212) 858-4410.

Very truly yours,



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