

## SEC Delays Regulation SHO Pilot Program by Four Months



**Attention: Head of NASDAQ Trading; Technical Contacts; Compliance Officers**

### What you need to know:

- The SEC is delaying the start of the pilot period of Regulation SHO until May 2, 2005
- The compliance date for all other provisions of Regulation SHO will be January 3, 2005, as stated in the adopting release.

**Who Should You Contact:** [NASDAQ Market Sales](#) at 800.846.0477.

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### When will the Regulation SHO pilot period be implemented?

On November 30, 2004, the Securities and Exchange Commission (SEC) issued an order delaying the start of the Regulation SHO pilot period (suspension of the operation of short sale price provisions for certain securities). As per the [order](#), the pilot will now start on May 2, 2005, and end on April 30, 2006. Firms must comply with all other provisions of Regulation SHO on January 3, 2005, according to the [adopting release](#).

### How will NASDAQ assist firms in executing short sales?

NASDAQ® systems will assist firms to execute short sales in pilot stocks, consistent with Regulation SHO, by removing ("masking") the short sale validation instructions in these pilot stocks and by executing the short sales as "short exempt". Firms and their customers using the NASDAQ Market Center for order execution thus would not be required to make systems changes in order to ensure that short sales in pilot stocks are executed appropriately.

### Why has the pilot been delayed?

Some market centers were not able to complete the necessary systems changes by January 3, 2005, therefore, the SEC delayed the start of the pilot period to allow them more time to complete these changes.

### What do I need to do?

The SEC states that issuance of the order does not affect the responsibility of firms to comply with the order marking requirements in May, including the requirement to mark orders in pilot stocks "short exempt". Please pay particular attention to footnote 10 of the [SEC order](#), which states that the SEC will consider written requests for relief from the order marking requirements for Pilot stocks.

### Where can I go for more information?

- Please refer to [Head Trader Alert #2004-108](#),
- Visit [www.sec.gov](http://www.sec.gov), or,
- Contact [NASDAQ Market Sales](#) at 800.846.0477.

The NASD and NASDAQ will be issuing FAQs on Regulation SHO in the near future.

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