

## NASDAQ Announces Modifications to Regulation SHO Threshold Security List for NASD Rule 3210, Effective July 11, 2006



**Please Route To:** Head Traders; Technical Contacts

### What you need to know:

- In support of the new [NASD Rule 3210](#), NASDAQ, as NASD's service provider, will expand the current [Regulation SHO Threshold Securities List](#) to include non-reporting OTC equity securities, effective July 11, 2006.
- The first Rule 3210 Threshold Securities List will be posted on the NASDAQ Trader website before 12:00 a.m., Eastern Time (ET), on July 10, 2006.
- Firms that currently process the Regulation SHO Threshold Security List file will need to change their processing prior to July 11, 2006, in order to process the updated file.

**Whom You Should Contact:** [NASD Operations](#) at 866.776.0800

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### What is changing?

The Securities and Exchange Commission (SEC) recently approved NASD's Rule 3210. In support of this new rule, NASDAQ®, as NASD's service provider, will expand the current [Regulation SHO Threshold Security List](#) to include non-reporting OTC equity securities that for five consecutive settlement days have:

- aggregate fails to deliver at a registered clearing agency of 10,000 shares or more; and
- a reported last sale during normal market hours (9:30 a.m. to 4:00 p.m., ET) that would value the aggregate fail to deliver position at \$50,000 or more.

Please note: There will be no changes to the Regulation SHO calculations for reporting companies<sup>1</sup> currently in effect.

### How will the Threshold Security List be modified to reflect the new securities?

A separate field (replacing the first "filler" field) will represent non-reporting OTC securities subject to NASD Rule 3210 and will allow these securities to be distinguished from the issues subject to Regulation SHO. If the column displays:

- **Y** — the issue is subject to Rule 3210's mandatory close-out requirements.
- **N** — the issue is not subject to Rule 3210's mandatory close-out requirements.

Please note that the existing Regulation SHO Threshold Flag field will now allow values of either **Y** or **N**. Previously, only the value **Y** was included.

### How will the web version of the Threshold Security List be revised?

The [web version](#) of the revised Regulation SHO Threshold List will contain the following fields:

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<sup>1</sup> The term "reporting companies" means issuers that are registered under Section 12 of the Exchange Act or that are required to file reports under Section 15(d) of the Exchange Act.

<b>Column Heading</b>	<b>Definition</b>
Symbol	The four- or five-character identifier for each security
Security Name	The firm name for the security
Market Category	The market category of the issue The allowed values for the Market Category are as follows for files published to the site beginning the evening of Friday, June 30, 2006: Q — NASDAQ Global Select Market <sup>SM</sup> G — NASDAQ Global Market <sup>SM</sup> S — NASDAQ Capital Market <sup>®</sup> U — OTCBB u — Other OTC
Reg SHO Threshold Flag <sup>2</sup>	Subject to the requirements of SEC Rule 203 of Regulation SHO Where there is an aggregate fail to deliver position for five consecutive settlement days at a registered clearing agency totaling 10,000 shares or more and equal to at least 0.5% of the issuer's total shares outstanding. When this occurs, the security becomes subject to mandatory close-out requirements outlined in the SEC's Regulation SHO.  The allowed value will be: Y = Yes, if the issue is subject to mandatory close-out requirements of Regulation SHO N = No, if the issue is NOT subject to mandatory close-out requirements of Regulation SHO
Rule 3210 <sup>2</sup>	Subject to the requirements of NASD Rule 3210 Where, for five consecutive settlement days, there are aggregate fails to deliver at a registered clearing agency of 10,000 shares or more and the reported last sale during normal market hours would value the aggregate fail to deliver position at \$50,000 or more. When this occurs, the security becomes subject to mandatory close-out requirements outlined in NASD Rule 3210.  The allowed value will be: Y = Yes, if the issue is subject to mandatory close-out requirements of Rule 3210. N = No, if the issue is NOT subject to mandatory close-out requirements of Rule 3210.

### How will the FTP file version of the Threshold Security List be revised?

The [FTP file](#) of the revised Regulation SHO Threshold List will contain the following fields:

<b>Column Heading</b>	<b>Definition</b>
Symbol	The four- or five-character identifier for each security
Security Name	The firm name for the security
Market Category	The market category of the issue The allowed values for the Market Category are as follows for files published to the site beginning the evening of Friday, June 30, 2006: Q — NASDAQ Global Select Market

<sup>2</sup> These flags are mutually exclusive, only one will contain Y or N value for a security within a given day's list.

	G — NASDAQ Global Market S — NASDAQ Capital Market U — OTCBB u — Other OTC
Reg SHO Threshold Flag <sup>2</sup>	Subject to the requirements of SEC Rule 203 of Regulation SHO Where there is an aggregate fail to deliver position for five consecutive settlement days at a registered clearing agency totaling 10,000 shares or more and equal to at least 0.5% of the issuer's total shares outstanding. When this occurs, the security becomes subject to mandatory close-out requirements outlined in the SEC's Regulation SHO.  The allowed value will be: Y = Yes, if the issue is subject to mandatory close-out requirements of Regulation SHO N = No, if the issue is NOT subject to mandatory close-out requirements of Regulation SHO
Rule 3210 <sup>2</sup>	Subject to the requirements of NASD Rule 3210 Where, for five consecutive settlement days, there are aggregate fails to deliver at a registered clearing agency of 10,000 shares or more and the reported last sale during normal market hours would value the aggregate fail to deliver position at \$50,000 or more. When this occurs, the security becomes subject to mandatory close-out requirements outlined in NASD Rule 3210.  The allowed value will be: Y = Yes, if the issue is subject to mandatory close-out requirements of Rule 3210. N = No, if the issue is NOT subject to mandatory close-out requirements of Rule 3210.
Filler	Reserved field will normally be empty.
Time Stamp Row at end of the file	The end of the data file will contain a time stamp row in the following format: YYYYMMDDHHMMSS

### When will the updated Threshold Security List be available?

As the new NASD Rule 3210 is effective July 3, 2006, the first date a security can meet the requirements of the rule is five consecutive settlement days after the effective date. Therefore, the first Rule 3210 Threshold Securities List will be posted on the NASDAQ Trader website before 12:00 a.m., ET, on July 10, 2006, and will continue to be posted by midnight each subsequent settlement day.

**Firms that currently process the Regulation SHO Threshold Security List file will need to change their processing prior to July 11, 2006, to enable them to process the updated file.**

### Where can I find testing information for Regulation SHO?

Firms can test the retrieval of a test file of securities via the FTP website at [http://www.nasdaqtrader.com/tradingservices/testfile\\_nasdaqth20060606.txt](http://www.nasdaqtrader.com/tradingservices/testfile_nasdaqth20060606.txt)

### Where can I get additional information?

- Refer to the [NASD Notice on Rule 3210](#).
- Visit the [Regulation SHO page](#) on the NASDAQ Trader website.
- Contact [NASD Operations](#) at 866.776.0800.

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