

Updated: The SEC Eliminates "Tick" Test From Regulation SHO



Please Route To: Head Traders; Technical Contacts; Compliance Officers

What you need to know:

- The Securities and Exchange Commission (SEC) [announced](#) yesterday that short sale validation will be eliminated with a Compliance Date of July 6, 2007.
- NASDAQ will eliminate short sale validation on July 6, 2007.
- The SEC [announced](#) on June 13, 2007, that it has voted to eliminate Rule 10a-1 as well as any short sale price test of any self-regulatory organization (SRO), i.e., the "Tick" Test.
- NASDAQ will add all NASDAQ-listed securities to the [Regulation SHO Pilot List](#) in order to assist customers.

Who you should contact: [NASDAQ Market Sales](#) at 800.846.0477

What is changing?

Regulation SHO, which became fully effective in January 2005, provides a regulatory framework governing the short sales of securities. The SEC [announced](#) on June 13, 2007 that it has voted to adopt final amendments to Rules 200 and 203 of Regulation SHO, and to eliminate the "tick" test.

The SEC [announced](#) yesterday that short sale validation will be eliminated with a Compliance Date of July 6, 2007.

NASDAQ® will eliminate all system validations for short sales on July 6, 2007.

An order marked as short will be processed identically to orders marked long sell and short exempt. Please note that the SEC has also removed the requirement to mark orders as short exempt, however, any orders flagged as short exempt will continue to be processed by NASDAQ.

NASDAQ will add all NASDAQ-listed securities to the [Regulation SHO Pilot List](#) in order to assist customers with the change.

Has the SEC changed the short sale locate or delivery requirements?

No, firms must still perform locates and make delivery for short sale orders, per Regulation SHO. The SEC did modify certain close-out requirements in an attempt to further reduce instances of failures to deliver.

Where can I get additional information?

- Visit the [Regulation SHO page](#) on the NASDAQ Trader® website.
- Refer to the Federal Register publication.
- Refer to the SEC [press release 2007-114](#).
- [NASDAQ Market Sales](#) at 800.846.0477

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