

Reminder: Regulation SHO Changes Occurring on Friday, October 5, 2007



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

What you need to know:

- As announced in [Regulatory Alert #2007-082](#), the Regulation SHO Pilot List, which contains all NASDAQ-listed securities, will not be available after October 4, 2007.
- The temporary exemption that allows firms to continue to mark sales "short exempt" will expire on October 4, 2007.
 - Beginning October 5, 2007, firms must mark sales "short" not "short exempt".

Who you should contact: [NASDAQ Market Sales](#) at 800.846.0466

What is changing with the Regulation SHO Pilot List?

As announced in [Regulatory Alert #2007-067](#), the Securities and Exchange Commission (SEC) has [eliminated Rule 10a-1](#) as well as any short sale price test of any self-regulatory organization (SRO), e.g., the [NASDAQ Rule 3350](#) "bid" test. To assist firms with compliance, NASDAQ added all NASDAQ-listed securities to the [Regulation SHO Pilot List](#) maintained on the NASDAQ Trader website. As announced in [Regulatory Alert #2007-082](#), this list will not be posted or updated after October 4th.

What do I have to do regarding the discontinuation of the pilot list?

Please complete any necessary systems changes to correctly enter short sales without relying on the Regulation SHO Pilot List prior to October 5, 2007.

What is changing with the "short" marking requirement?

At the same time the short sale price test restrictions were eliminated, the SEC also removed the "short exempt" marking requirement. As a result, broker-dealers will no longer be able to mark sales "short exempt"; instead all short sales must be marked "short". To provide firms additional time to make systems changes to accommodate this new requirement, the staff of the SEC Division of Market Regulation issued a temporary no-action [letter](#) providing relief from the requirement to mark all short sales "short". **Beginning October 5th, NASDAQ systems will reject orders marked "short exempt".**

What do I have to do regarding the "short" marking requirement?

Please complete any systems changes by October 4th to ensure that sales are correctly marked "short" beginning October 5th.

Where can I get additional information?

- Visit the [Regulation SHO page](#) on the NASDAQ Trader website.
 - Contact [NASDAQ Market Sales](#) at 800.846.0477.
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