



MEMO #: 1657-08
M E M O R A N D U M

TO: Options Floor

FROM: Tom Wittman
Charles Rogers
Edith Hallahan
Jurij Trypupenko

DATE: September 19, 2008

RE: New SEC Rules on Short Selling Now In Effect

Yesterday, the Securities and Exchange Commission ("SEC" or "Commission") issued an Emergency Order prohibiting short selling of certain securities, with a time-limited exception for options market makers ("OMMs") as described below (the "Order"). The Order is immediately effective and expires at 11:59 p.m. EDT on October 2, 2008, unless further extended or otherwise amended by the SEC.

Specifically, in the Order the Commission:

Temporarily prohibited any person from effecting a short sale in a publicly traded security of certain financial firms that are identified in Appendix A ("Included Financial Firms").
announced that new rules were adopted relating to short selling.

OMMs are exempted for the short sale ban TODAY ONLY UNTIL 11:59 p.m.

The language from the Order is:

- (1) "registered market makers, block positioners, or other market makers obligated to quote in the over-the-counter market, in each case that are selling short a publicly traded security of an Included Financial Firm as part of bona fide market making in such security."
- (2) "any person that effects a short sale in any publicly traded security of any Included Financial Firm as a result of automatic exercise or assignment of an equity option held prior to effectiveness of this Order due to expiration of the option."
- (3) "the requirements of this Order shall not apply, until 11:59 p.m. on September 19, 2008, to any person that is a market maker that effects a short sale as part of a bona fide market making and hedging activity related directly to bona fide market making in derivatives on the publicly traded securities of any Included Financial Firm."

We will make Exhibit A available shortly.