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Regulation SHO: SEC Rewrites Short Sale Locate and Delivery Requirements and Suspends Price Tests for Pilot Program Securities

In a remarkable display of decisive public policy action, the Securities and Exchange Commission ("SEC") published a release adopting Regulation SHO on July 28, 2004, putting in place the most significant changes to short sale regulation since 1938.[1] Among other things, Regulation SHO replaces current Rules 3b-3 and 10a-2 under the Securities Exchange Act of 1934 ("Exchange Act") with new Rules 200 and 203 of Regulation SHO.[2] In particular, Rule 203 seeks to provide various safeguards against so-called "naked" short selling[3] by (1) consolidating and expanding stock "locate" requirements and (2) imposing additional delivery requirements for securities in which a substantial number of fails have occurred. Rule 200, in turn, modifies the definition of securities ownership for short sale purposes and requires broker-dealers to mark sales in *all* equity securities "long," "short," or "short exempt."

As adopted, Regulation SHO does not eliminate or replace the existing "tick test"[4] or any SRO price tests[5] with a new "uniform bid test" as

1 *See* Exchange Act Release No. 50,103 (July 28, 2004), 69 Fed. Reg. 48,008 (Aug. 6, 2004) ("Adopting Release"), *available at* http://www.sec.gov/rules/final/34-50103.htm. The SEC approved the adoption of Regulation SHO in an open meeting on June 23, 2004, barely six months after the comment period on the proposal expired in January 2004. *See* Exchange Act Release No. 48,709 (Oct. 29, 2003), 68 Fed. Reg. 62,972 (Nov. 6, 2003) ("Proposing Release"), *available at* http://www.sec.gov/rules/proposed/34-48709.htm.

2 17 C.F.R. §§ 240.3b-3 and 10a-2; 17 C.F.R. §§ 242.200 and 203.

3 Naked short selling, while not defined in the federal securities laws or the rules of any self-regulatory organization ("SRO"), generally refers to selling short without having borrowed the necessary securities to make delivery.

4 Under Rule 10a-1(a)(1) of the Exchange Act, exchange-listed securities generally may be sold short (1) at a price above the price at which the immediately preceding sale was effected (plus tick), or (2) at the last sale price if it is higher than the last different price (zero-plus tick). 17 C.F.R. § 240.10a-1(a)(1).

5 *See*, *e.g.*, Rule 3350 of the National Association of Securities Dealers ("NASD"). This rule prohibits short sales by NASD members in Nasdaq NMS Securities at or below the current best (inside) bid when that bid is lower than the previous best (inside) bid and is commonly referred to as the "bid test."

initially contemplated in the Proposing Release. Instead, consideration of these issues has been deferred until after the completion of a pilot program established pursuant to new Rule 202T of Regulation SHO.[6] To this end, acting by separate order, the SEC has established a one-year pilot program ("Pilot Program") commencing on January 3, 2005, and running through December 31, 2005, under which short sales in specified securities will not be subject to any price test (either the tick test or bid test).[7] The Pilot Program also includes the suspension of the tick test or any other price test for certain "after-hours" trading, as it relates to two distinct time periods: (1) between 4:15 p.m. ET and the open of the consolidated tape on the following day and (2) between the close of the consolidated tape (currently 8:00 p.m. ET) and the open of the consolidated tape on the following day.

Concurrently with its adoption of Regulation SHO, the SEC also decided to remove the shelf offering exception from Rule 105 of Regulation M. In general, Rule 105 regulates short sales in connection with a public offering by prohibiting the covering of certain pre-pricing short sales with offering securities purchased from an underwriter or selling group member.[8] In the future, this prohibition will extend to short sales effected in connection with shelf offerings. In addition, the Adopting Release includes interpretive guidance addressing "sham" transactions that are designed to evade Rule 105.

The amendments to Regulation M take effect *September 7, 2004* (*i.e.*, 30 days after publication of the Adopting Release in the Federal Register),[9] while Rules 200 and 203 of Regulation SHO have a compliance date of *January 3, 2005*. We summarize below the key provisions of Regulation SHO and the Pilot Program, as well as the amendments to Regulation M.

I. Definition of "Short Sale" and Marking Requirements (Rule 200)

A. Determining Whether a Seller Is "Net Long" or "Net Short"

Rule 200 of Regulation SHO clarifies the requirement to determine a seller's net aggregate position and replaces Rule 3b-3, which currently defines ownership of securities for short sale purposes. Although Rule 200 largely tracks the language of Rule 3b-3, it contains some significant new provisions by incorporating: (1) guidance to allow broker-dealers to calculate net positions within defined trading units; (2) the block-positioner exception from current Rule 10a-l(e)(13); (3) aggregation relief for certain index arbitrage positions; and (4) prior interpretations relating to security futures products. Notably, the SEC did not revise the definition of "unconditional contract," as contemplated in the Proposing Release; as adopted, Rule 200 retains the current definition of "unconditional contract" in Rule 3b-3.

1. Aggregation Units – Rule 200(f)

Under Rule 3b-3, a seller of a security is required to aggregate all of its positions in that security in order to determine whether the seller has a "net long position" in the security. In 1998, the staff of the Division of Market Regulation issued a letter stating that they would not recommend that the SEC take enforcement action if a multi-service broker-dealer calculated its net position in a particular security within defined trading units or so-called aggregation units, without regard to

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6 Under this new rule, the SEC may suspend the application of the tick test and any other short sale price test of an exchange or a national securities association for such securities and during such time periods as designated by order. 17 C.F.R. § 242.202T.

7 *See* Exchange Act Release No. 50,104 (July 28, 2004), 69 Fed. Reg. 48,032 (Aug. 6, 2004) ("Pilot Order"), *available at* http://www.sec.gov/rules/other/34-50104.htm.

8 17 C.F.R. § 242.105.

9 Note that the interpretive guidance under Regulation M is effective as of August 6, 2004.

the positions held by the other aggregation units within the firm.[10]

New Rule 200(f) of Regulation SHO incorporates the aggregation unit concepts from that letter. Specifically, Rule 200(f) allows trading unit aggregation if a broker-dealer meets the following requirements: (1) the broker-dealer has a written plan of organization that identifies each aggregation unit, specifies its trading objective(s), and supports its independent identity;[11] (2) each aggregation unit within the firm determines at the time of each sale its net position for every security that it trades; (3) all traders in an aggregation unit pursue only the trading objectives or strategy(ies) of that aggregation unit; and (4) individual traders are assigned to only one aggregation unit at any time. The SEC emphasized in the Adopting Release that, as with any rule, broker-dealers relying on this exception should be prepared to monitor for compliance with its conditions, and maintain records documenting such compliance. Moreover, this relief is not available to persons other than broker-dealers.

2. Block Positioners – Rule 200(d)

Generally, block positioning occurs when a broker-dealer acts as principal in taking all or part of a block order placed by a customer in order to facilitate a transaction that might otherwise be difficult to effect in the ordinary course of trading. As proposed and adopted, Rule 200 incorporates the block-positioner exception of current Rule 10a-1(e)(13). Under Rule 200, a broker-dealer that engages in block-positioning will continue to be able to disregard economically neutral bona-fide arbitrage, risk arbitrage, and bona-fide hedge positions involving short stock components in determining its net position in the block-positioned security.

3. Liquidation of Index Arbitrage Positions – Rule 200(e)

In a manner similar to that permitted under the block positioner exception in Rule 200(d), new Rule 200(e) allows market participants to liquidate (or unwind) certain existing index arbitrage positions.[12] As proposed and adopted, this exception must comply with the following conditions: (1) the index arbitrage position involves a long basket of stock and one or more short index futures traded on a board of trade or one or more standardized options contracts; (2) such person's net short position is solely the result of one or more short positions created and maintained in the course of bona-fide arbitrage, risk arbitrage, or bona-fide hedge activities; and (3) the sale does not occur during a certain specified period of extreme price volatility.[13]

4. Ownership of Securities Underlying Security Futures – Rule 200(b)(6)

Rule 200(b)(6) is intended to codify existing SEC guidance defining when a person shall be deemed to own a security underlying a security futures contract.[14] A person holding a long secu-

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[10] *Bear, Stearns & Co. Inc., et al*., SEC No-Action Letter (Nov. 23, 1998).

[11] As noted in the Proposing Release, the independence of the units would be evidenced by a variety of factors, such as separate management structures, location, business purpose, and profit and loss treatment.

[12] Index arbitrage generally involves the purchase or sale of a basket of all stocks comprising a securities index or a smaller number of stocks designed to track day-to-day price movement of an index, and a contemporaneous offsetting sale or purchase of one or more commodity futures or options on a future or standardized option contracts on that index.

[13] This condition is new under Regulation SHO; the relevant period begins at the time that the Dow Jones Industrial Average ("DJIA") has declined below its previous day closing value by at least two percent and ends upon the establishment of the closing value of the DJIA on the next succeeding trading day during which the DJIA has not declined by two percent or more from its closing value on the previous day.

[14] *See* Exchange Act Release No. 46,101 (June 21, 2002), 67 Fed. Reg. 43,234 (June 27, 2002).

rity futures position is not considered to own the underlying security until the security future stops trading and the future will be physically settled. In the SEC's view, termination of trading is the moment at which an open position in a security future, either a long or short position, can no longer be closed or liquidated either by buying or selling an opposite position. At that point, the person obligated to deliver would be considered short, and a person entitled to acquire the securities would be considered long.

5. Unconditional Contracts to Purchase Securities – Rule 200(b)(2)

Rule 200 retains the current definition of "unconditional contract" found in Rule 3b-3(b). As proposed, Rule 200 would have amended the definition of unconditional contract to require the specification of a fixed price and amount of securities to be purchased in order for a person to claim ownership of the securities underlying the contract. However, the SEC determined not to adopt the amended definition to better preserve the operation of the current price tests during the application of the Pilot Program.[15]

B. Order-Marking Requirements – Rule 200(g)

In addition to defining ownership and clarifying the requirements for aggregating securities positions, Rule 200 imposes new marking requirements under which broker-dealers will be required to mark sales in *all* equity (but not debt) securities "long," "short," or "short exempt."[16] As adopted, Rule 200(g) provides that an order can be marked "long" when (1) the seller owns the security being sold *and* (2) the security either is in the physical possession or control of the broker-dealer or it is "reasonably expected" that the security will be in the physical possession or control of the broker-dealer no later than settlement. An order can be marked "short exempt" if the seller is entitled to rely on any exception from the tick test or any SRO price test. For example, orders to sell short Pilot Program securities should be marked "short exempt."

II. Application of the Short Sale Price Test

A. Deferral on Proposed Uniform Price Test

As noted above, the tick test applies to short sale transactions in exchange-listed securities, while the bid test applies to short sale transactions in Nasdaq NMS securities that are effected over-the-counter, as distinguished from those executed on an exchange. The uniform price test, set forth in the Proposing Release, generally would have required that short sales in all such securities be effected at a price at least one cent above the consolidated best bid at the time of execution, regardless of the time of execution. The SEC decided to defer consideration of this or any other new uniform price test until after the completion of the Pilot Program. As a result, the existing price tests will be maintained for securities not included in the Pilot Program.

B. Temporary Rule 202T

New Rule 202T of Regulation SHO provides procedures pursuant to which the SEC may suspend temporarily the application of the tick test and any short sale price test of any exchange or national securities association for designated securities.[17] As adopted, Rule 202T makes explicit that no SRO "shall have a rule that is not in conformity with or conflicts with" the suspension of a price test for the securities selected for the Pilot Program. In addition, Rule 202T contains a procedure for the SEC to suspend on a pilot basis the tick test and any SRO price test during designated "time periods" as deemed appropriate. This latter provision of Rule

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15 The SEC may revisit its decision upon termination of any pilot program implemented pursuant to Rule 202T.

16 Because the new marking requirements apply to all equity securities, not just exchange-listed securities, the SEC is removing the prior requirements from current Rule 10a-1(c) and (d).

17 Rule 202T is effective from September 7, 2004 to August 6, 2007.

202T was added in response to the public comment that many after-hours trades are currently executed overseas due to the operation of the tick test.[18]

C. The Pilot Program

Concurrently with the issuance of the Adopting Release, the SEC issued the Pilot Order pursuant to Rule 202T, suspending the provisions of the tick test and any SRO price test for: (1) short sales in certain "designated securities" (identified in Appendix A of the Pilot Order);[19] (2) short sales in any security included in the Russell 1000 index effected between 4:15 p.m. ET and the open of the consolidated tape on the following day; and (3) short sales in any other security effected between the close of the consolidated tape (currently, 8:00 p.m. ET) and the open of the tape on the following day. Note that the Pilot Program suspends only the operation of the price tests. All other requirements, such as the new locate and delivery requirements under Regulation SHO, will remain in effect.

III. Delivery and Locate Requirements – Rule 203

As adopted, Rule 203 requires broker-dealers, prior to effecting short sales in all equity securities, to "locate" securities available for borrowing and imposes additional delivery requirements on broker-dealers for securities in which a substantial amount of failures to deliver have occurred ("threshold securities"). In the Adopting Release, the SEC expressed its view that strong and uniform locate and delivery requirements would reduce short selling abuses, and act as a restriction on naked short selling.

A. Long Sales – Rule 203(a)

Rule 203(a) replaces Rule 10a-2 under the Exchange Act and includes a uniform delivery requirement for sales marked long. Rule 203(a) largely incorporates the provisions of Rule 10a-2 and extends these requirements to all equity securities, as opposed to only exchange-listed securities. Specifically, Rule 203(a) requires that if a broker-dealer knows or has *reasonable grounds* to believe that a sale of an equity security is marked long, the broker-dealer must make delivery when due and cannot use borrowed securities to do so.

Three exceptions are available to the above delivery obligation: (1) the loan of a security through the medium of a loan to another broker-dealer; (2) where the broker-dealer knows or has been reasonably informed by the seller that the seller owns the security and will deliver it to the broker or dealer prior to the scheduled settlement of the transaction and the seller fails to make such delivery; or (3) where an SRO finds that, prior to the loan or arrangement to loan a security for delivery, (i) the sale resulted from a good-faith mistake, (ii) the broker-dealer exercised due diligence, and (iii) requiring a buy-in would result in undue hardship or the sale had been effected at a permissible price. In the Adopting Release, the SEC emphasized that a broker-dealer may not treat a sale as long for a customer that repeatedly fails or requires borrowed securities for delivery on long sales.

B. Locate Requirement – Rule 203(b)(1)

Rule 203(b)(1) supplants existing SRO rules by requiring a broker-dealer, prior to effecting a short sale in any equity security, to locate securi-

[18] In the Proposing Release, the SEC took the position that the tick test applies to all trades in listed securities, whenever they occur, including in the after-hours market and after the consolidated transaction reporting system ceases to operate. The Adopting Release provides neither a retraction nor a restatement of this view despite the objections by many industry participants. *See*, *e.g.*, comment letter of the Securities Industry Association *available at* http://www.sec.gov/rules/proposed/s72303/sia013004.htm.

[19] The Pilot Order includes a description of the process by which the SEC selected "designated securities." First, the SEC excluded securities that are not currently subject to a price test. Next, issuers were excluded if their initial public offerings commenced after April 30, 2004. The remaining securities were then sorted into three groups based on the market on which they are listed and ranked in each group by average daily dollar volume. In each group, every third stock was selected from the remaining stocks.

ties available for borrowing.[20] Specifically, the rule prohibits a broker-dealer from accepting a short sale order in any equity security from another person, or from effecting a short sale order for the broker-dealer's own account unless the broker-dealer has: (1) borrowed the security, or entered into an arrangement to borrow the security; or (2) has reasonable grounds to believe that the security can be borrowed so that it can be delivered when due. Consistent with existing practice under NASD Rule 3370, the locate must be made and documented prior to effecting a short sale, regardless of whether the seller's short position may be closed out by purchasing securities on the same day.

In the Proposing Release, the SEC requested comments on the manner in which persons could satisfy the "reasonable grounds" determination in Rule 203. In particular, the SEC asked whether the use of "Easy to Borrow" or "Hard to Borrow" lists could provide an accurate assessment of the current lending market. After considering the comments received, the SEC determined that, absent countervailing factors, an "Easy to Borrow" list may provide reasonable grounds for a broker-dealer to believe that a security sold short is available for borrowing, *provided* that information used to generate the list must be less than 24 hours old and securities on the list are readily available so a fail is unlikely.[21] The SEC also emphasized in the Adopting Release that "threshold securities"[22] (discussed below in Section III.D.) generally should not be included on "Easy to Borrow" lists.

C. Exceptions from the Locate Requirement

1. Sell Orders from Another Broker-Dealer – Rule 203(b)(2)(i)

Rule 203(b)(2)(i) provides an exception from the uniform locate requirement for a registered broker-dealer that receives a short sale order from another registered broker-dealer required to comply with 203(b)(1). For example, where an introducing broker-dealer submits a short sale order for execution, either on a principal or agency basis, to another broker-dealer (including an ECN), the introducing broker-dealer has the responsibility of complying with the locate requirement. The broker-dealer that received the order from the introducing broker-dealer would not be required to perform the locate. However, a broker-dealer would be required to perform a locate where it contractually undertook to do so or the short sale order came from a person that is not a registered broker-dealer.

2. Bona-fide Market Making – Rule 203(b)(2)(iii)

Rule 203(b)(2)(iii) provides an exception from the uniform locate requirement for short sales executed by market makers, including specialists and options market makers, but only in connection with bona-fide market making activities. Bona-fide market making does not include activity that is related to speculative selling strategies or investment purposes of the broker-dealer and is disproportionate to the usual market making patterns or practices of the broker-dealer in that security.

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[20] As proposed, Rule 203(b) would have allowed the "person for whose account the short sale is executed" to perform a locate. The SEC, however, modified the rule to make clear that the locate requirement should apply to a regulated entity – *i.e.*, the broker-dealer effecting the sale.

[21] By contrast, the fact that a security is *not* on a "Hard to Borrow" list cannot satisfy the "reasonable grounds" test.

[22] Rule 203(c)(6) defines a "threshold security" as any equity security of an issuer that is registered under Section 12, or that is required to file reports pursuant to Section 15(d) of the Exchange Act where, for five consecutive settlement days: (1) there are aggregate fails to deliver at a registered clearing agency of 10,000 shares or more per security; (2) the level of fails is equal to at least one-half of one percent of the issuer's total shares outstanding; and (3) the security is included on a list published by an SRO.

3. Additional Exception – Rule 203(b)(2)(ii)

Rule 203(b)(2)(ii) excepts from the uniform locate requirement a short sale effected by a broker-dealer on behalf of a customer who is deemed to own the security, although, through no fault of the customer or the broker-dealer, it is not reasonably expected that the security will be in the physical possession or control of the broker-dealer by settlement date, and is thus marked "short." Such circumstances might include the situation where a convertible security, option, or warrant has been tendered for conversion or exchange, but the underlying security is not reasonably expected to be received by settlement date. In these situations, delivery should be made on the sale as soon as all restrictions on delivery have been removed, and in any event no later than 35 days after trade date, at which time the broker-dealer that sold on behalf of the person must either borrow securities or close out the open position by purchasing securities of like kind and quantity.

4. No Other Exceptions to the Locate Requirement

Notably, the SEC did not incorporate an exception from the locate and delivery requirements for short sales that result in bona-fide fully hedged or arbitraged positions. According to the Adopting Release, because the SEC believes that "bona-fide" hedging and arbitrage can be difficult to ascertain, the SEC did not deem it appropriate to incorporate a blanket exception for such activities. Additionally, the SEC declined to include an express exception from the locate requirements for transactions in exchange traded funds ("ETFs").[23]

D. Short Sales in Threshold Securities – Rule 203(b)(3)

1. Close Out Requirements

Rule 203(b)(3) requires a clearing agency participant to take action to close out any fail to deliver position in designated "threshold securities" that has remained for ten days after the settlement date (*i.e.*, for thirteen consecutive settlement days) by purchasing securities of like kind and quantity.[24] Moreover, the participant, and any broker-dealer for which such participant clears transactions, is prohibited from effecting further short sales in the particular threshold security without borrowing, or entering into a bona-fide arrangement to borrow, the security until the fail to deliver position is closed out.[25]

In addition, a participant may reasonably allocate its responsibility to close out open fail positions in threshold securities to another broker-dealer for which the participant is responsible for settlement. Thus, if a participant can identify an account whose trading activities have caused the fail to deliver position, the participant may allocate the responsibility to close out open fail positions to the broker-dealer responsible for that account. Absent such identification, however, the participant would remain subject to the close out requirement.

2. Application of the Close-Out Requirement to Market Makers

Although the SEC provided an exception from the locate requirement for short sales effected in connection with bona-fide market making, the SEC

[23] Rather than providing a blanket exception from the requirements of Rule 203, the SEC stated that it would prefer to address the treatment of ETFs through the exemptive process, which would be consistent with the prior treatment of ETFs. In considering any exemptive request, the SEC would evaluate the causes of large fails in certain ETFs, as well as potential remedies to resolve such fails, if necessary.

[24] A list of such threshold securities will be calculated and disseminated daily by the SRO on which the security is listed, or for which the SRO bears primary surveillance responsibility. To be removed from the list of threshold securities, a security must not exceed the specified level of fails for a period of five consecutive settlement days.

[25] Notably, and consistent with the current operation of NASD Rule 11830, the requirement to close out fail to deliver positions in threshold securities does not apply to any positions that were established prior to the security becoming a threshold security. However, if a participant's fail to deliver position is subsequently reduced below the pre-existing position, then the fail to deliver position excepted by this provision is the lesser amount.

did not provide a similar exception form the close-out requirements. The SEC did, however, include a limited exception in Rule 203(b)(3)(ii) from the close out requirement to allow registered options market makers to sell short threshold securities in order to hedge options positions, or to adjust such hedges, if the options positions were created prior to the time that the underlying security became a threshold security. Any fails to deliver from short sales that are not effected to hedge pre-existing options positions, and that remain for thirteen consecutive settlement days, are subject to the mandatory close out requirement.

IV. Short Sales in Connection with a Public Offering

A. Shelf Offerings

Concurrently with Regulation SHO, the SEC adopted an amendment to Rule 105 of Regulation M, removing the shelf offering exception from the rule. Generally, under Rule 105, a short seller is prohibited from covering short sales with offering securities purchased from an underwriter or a selling group member if the short sale occurred during the five-day period prior to pricing.[26] The Adopting Release notes that carving out shelf offerings from the above prohibition is no longer warranted, given the fact that shelf offerings are increasingly common and that investors generally have notice of them before they occur, especially where shelf offerings utilize the same marketing efforts – road shows and other selling efforts – that are used with non-shelf offerings. In the SEC's view, the continued exception for shelf offerings would present an increased potential for the type of manipulative conduct that Regulation M is designed to prevent. As amended, Rule 105 will apply to all shelf offerings, regardless of whether they are conducted on an "overnight" or "bought deals" basis.

B. Sham Transactions

The Adopting Release also provides interpretive guidance regarding certain "sham" transactions that the SEC believes may be structured to give the false appearance that short sales are being covered with open market shares, when in fact, the short seller has arranged to cover the short sale with offering shares in violation of Rule 105. Specifically, the Adopting Release describes two examples of "sham" transactions, which it notes are illustrative, and not exhaustive: (1) covering pre-pricing short sales effected during the pre-pricing restricted period with securities obtained through an arrangement with a third party who has acquired the securities in the primary offering; and (2) covering short sales effected during the pre-pricing restricted period through a series of wash trades (*i.e.,* effecting pre-pricing short sales, receiving offering shares, selling the offering shares into the open market, and then contemporaneously purchasing an equivalent number of the same class of shares as the offering shares).

V. Conclusion

Over the past decade, the SEC has engaged in an extensive review of the general framework for regulating short sales.[27] Indeed, the debate whether short selling should be allowed, regulated, or prohibited predates the Exchange Act itself. The SEC appears to believe that, upon completion of the Pilot Program, it will be able to make an objective assessment. It is not clear, however, whether the results of the Pilot Program will be conclusive, either for or against the efficacy of a price test for short sales. Indeed, it remains to be seen whether the Pilot Program will lead to additional debate among issuers and other market participants. In the meantime, the new Regulation SHO requirements for broker-dealers to locate and deliver securities in connection with short sales are

[26] Note that Rule 105 applies to public offerings of securities (equity or non-equity) for cash pursuant to a registration statement or a notification on Form 1-A filed under the Securities Act of 1933. In the case of an offering under Regulation A, the relevant pre-pricing restricted period would commence upon the initial filing of a registration statement or notification on Form 1-A.

[27] *See generally* Short-Selling Activity in the Stock Market: Market Effects and the Need for Regulation (Part I) (House Report), H.R., Rep. No. 102-414 (1991), reprinted in CCH Federal Securities Law Reports Number 1483 Part II (1992). Most recently, in 1999, the SEC issued a release requesting public comment on the regulation of short sales of securities. Exchange Act Release No. 42,037 (Oct. 20, 1999), 64 Fed. Reg. 57,996 (Oct. 28, 1999).

expected to address more abusive trading strategies, such as the problem associated with naked short selling.

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If you would like a copy of Regulation SHO, the Adopting Release or Proposing Release, or if you require further assistance, please contact:

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