
New Short Sale Restrictions Take Effect Today

2008-09-18

On September 17, 2008, the Securities and Exchange Commission ("SEC" or "Commission") promulgated rules on an emergency basis that are intended to significantly reduce the possibility of naked short selling disrupting the functioning of the securities markets. Unlike the emergency order issued in July, which was limited to the securities of certain financial firms, the new rules apply to all equity securities traded in the United States. While the SEC currently does not impose limitations on "synthetic" short positions established via options or other derivatives, the new rules are expected to have ripple effects on a wide range of financial instruments, given the importance of the cash markets in the overall price discovery process. For more on the rules, [see our recent Email Alert](#).