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## The New Short Sale Price Test: Looking Ahead to Compliance

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On Friday, February 26, the Securities and Exchange Commission ("SEC" or "Commission") published a release adopting amendments to Regulation SHO. Amended Rule 201, adopted by the Commission in a 3-2 vote on February 24, will impose a price test on short sales of a covered security that has experienced a 10% intraday price decline. Once this security-specific "circuit breaker" has been triggered, the rule will permit short sales of the relevant security only at a price above the current national best bid. This price restriction, known as the "alternative uptick rule," will remain in effect for the remainder of the trading day when it is triggered, as well as the following trading day. In addition, the Commission is amending Rule 200(g) to require broker-dealers to mark sell orders of equity securities "short exempt" when relying on an exception from the price test under Amended Rule 201.

The Commission has adopted a "policies and procedures" approach to compliance with the new price test. As described in more detail below, the compliance burdens will fall on trading centers, which are required to have policies and procedures reasonably designed to impose the price restriction when it has been triggered, as well as on broker-dealers that rely on exceptions to the alternative uptick rule when it is in effect for a covered security.

The Compliance Date for the rule amendments is November 10, 2010.

The following sections provide: (I) an overview of Amended Rule 201, (II) a discussion of the requirement for trading centers to establish, maintain and enforce written policies and procedures that are reasonably designed to prevent the display or execution of short sales at impermissible prices, (III) a discussion of the exceptions to Amended Rule 201, including the compliance burdens a broker-dealer relying on these exceptions will face, and the new marking requirement, and (IV) concluding comments on implementation of the rule amendments.

To read the full text of this alert, please click [here](#).

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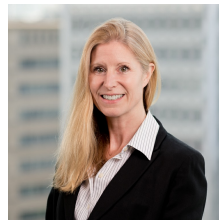
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