



Regulatory Information Circular			
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Subject: Rejection of Orders Marked “Short Sale Exempt” as of the Start of Business on October 5, 2007

On June 13, 2007, the SEC adopted amendments to its rules that, among other things, amended Rule 200(g) of Regulation SHO to remove the requirement that a broker-dealer mark a sell order of an equity security as “short exempt” if the seller is relying on an exception from the price test of SEC Rule 10a-1, or any price test of any exchange. The amendments to Regulation SHO became effective on July 3, 2007, with a compliance date of July 6, 2007.

However, the SEC staff of the Division of Market Regulation issued a No-Action Letter stating that SEC Staff will not recommend enforcement action under Rule 200(g) of Regulation SHO if a broker-dealer marks a short sale order “short exempt” rather than “short,” for a period of 90 days following the July 6, 2007 compliance date, subject to certain conditions. This 90 day grace period is set to expire on October 4, 2007. Accordingly, as of the start of business on October 5, 2007, the ISE will no longer accept or route-out orders marked “short sale exempt.” Any orders marked as “short sale exempt” will be rejected by the System.

Please contact me with any questions.