



**Boston Options Exchange Regulation LLC
Regulatory Circular 2008-14**

TO: BOX Participants and Participant Organizations

FROM: BOX Regulation LLC

DATE: July 21, 2008

SUBJECT: Temporary Restrictions on Short Sales

On July 15, 2008, the Securities and Exchange Commission (“SEC”) issued an Emergency Order to enhance investor protections against “naked” short selling effective July 21, 2008 (<http://www.sec.gov/rules/other/2008/34-58166.pdf>). This order states that no person may effect a short sale in the securities listed below unless such person:

- Borrows or arranges to borrow the security or otherwise has the security available to borrow in its inventory prior to effecting such short sale; and
- Delivers the security on settlement date.

Securities Covered by the Order

- Allianz SE (AZ)
- BNP Paribas (BNPQF or BNPQY)
- Bank of America Corporation (BAC)
- Barclays PLC (BCS)
- Citigroup Inc. (C)
- Credit Suisse Group (CS)
- Daiwa Securities Group Inc. (DSECY)
- Deutsche Bank Group AG (DB)
- Fannie Mae (FNM)
- Freddie Mac (FRE)
- Goldman, Sachs Group Inc. (GS)
- HSBC Holdings PLC ADS (HBC)
- J. P. Morgan Chase & Co. (JPM)
- Lehman Brothers Holdings Inc. (LEH)
- Merrill Lynch & Co., Inc. (MER)
- Mizuho Financial Group, Inc. (MFG)
- Morgan Stanley (MS)
- Royal Bank ADS (RBS)
- UBS AG (UBS)

Additionally, on Friday, July 18, 2008, the SEC issued an amendment of its Emergency Order. (<http://www.sec.gov/rules/other/2008/34-58190.pdf>) The amendment provides, among other things, that for hedging activities related to bona fide market-making in standardized options overlying the securities that are the subject of the order, options market-makers are exempted from the requirement to pre-borrow the security prior to effecting a short sale. Certain other market participants, including equity market-makers, are also eligible for the exception. Per the Emergency Order, market-makers still must comply with the requirement to deliver the subject securities by the settlement date.

This circular discusses the major highlights of the SEC Orders. Please review the information provided herein and the SEC Orders. If you have any questions regarding this information contact Joe Dalton at (617) 235-2317 or Bruce Goodhue at (617) 235-2022.