

## Corporate & Financial Weekly Digest

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### **SEC Releases Responses to Frequently Asked Questions Concerning Short Sale Rule**

The Securities and Exchange Commission recently released its responses to frequently asked questions relating to Rule 201 of Regulation SHO. Rule 201 restricts the price at which short sales may be effected when a stock has experienced significant downward price pressure. In particular, Rule 201 implements (1) a “short sale circuit breaker” for National Market System stocks that once triggered prohibits the execution or display of short sale orders at a price less than or equal to the current national best bid for the remainder of the day and the following day; and (2) a “short sale exempt” marking category, which allows broker-dealers to mark certain sell orders as “short exempt” once the short sale circuit breaker has been triggered. The short sale circuit breaker is triggered by a 10% or more decrease in the price of the security from such security’s closing price at the end of the regular trading hours on the prior trading day. Compliance with Rule 201 is required as of November 10.

The SEC’s responses to the FAQs are available [here](#).

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