## SEC APPROVES ALTERNATIVE UPTICK RULE

On Wednesday, February 24, 2010, the Securities and Exchange Commission (SEC), voting 3-2 on party lines, adopted a new rule that restricts short selling when a stock is experiencing significant downward price pressure. This new alternative uptick rule imposes restrictions on short selling when the price of a stock drops 10 percent or more from the prior day's closing price. Once the circuit breaker is triggered, the alternative uptick rule would apply to short sale orders in that security for the remainder of the day as well as the following day. Short selling would still be permitted if the price of the security is above the current national best bid.

The rule generally applies to all equity securities that are listed on a national securities exchange, whether traded on an exchange or in the over-the-counter market. The rule requires trading centers to establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent the execution or display of a prohibited short sale.

According to the SEC, the new rule is "intended to promote market stability and preserve investor confidence."

The rule will become effective 60 days after the date of publication of the release in the Federal Register, and then market participants will have six months to comply with the requirements.

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