

**PRIVATE FUNDS
AND
CAPITAL MARKETS BULLETIN**

September 17, 2008

**U.S. SECURITIES AND EXCHANGE COMMISSION
ISSUES NEW RULES TO CURB NAKED SHORT
SELLING**

On September 17, 2008 the U.S. Securities and Exchange Commission (the "SEC") issued new rules to curb naked short selling and announced a "zero tolerance" policy as regards abusive naked short selling. The new rules will be effective at 12:01 a.m. on Thursday, September 18, 2008.

Under the new rules, short sellers and their securities brokers must deliver the securities that were sold short by the close of business on the settlement date for the transaction (i.e., "T+3"). Penalties now apply for any failure to deliver those securities at settlement.

Any securities broker that fails to deliver the securities at settlement will not be permitted to engage in any short sale transaction for any customer in the same security unless the shares are both located and pre-borrowed.

As a part of the rule changes, the SEC has implemented a new anti-fraud rule to make its view clear that a short seller who misrepresents to securities brokers or any other market participant his or her intention to deliver securities has violated the law.

Further, the new rules eliminate Regulation SHO's options market maker exception. The SEC noted that options market makers "will be

treated in the same way as all other market participants, and required to abide by the hard T+3 closeout requirements that effectively ban naked short selling."

The information set forth above is based solely upon an SEC press release issued today (SEC Release No. 2008-204). The actual text of the new rules, when available, may differ from the descriptions of them contained in the SEC's press release.

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