



# THE OPTIONS CLEARING CORPORATION

#20745

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**DATE: JUNE 29, 2005**

**SUBJECT: THRESHOLD SECURITIES LIST**

On July 28, 2004, the SEC published new Regulation SHO under the Exchange Act (Exchange Act Release No. 50103), with compliance beginning on January 3, 2005. Reg. SHO introduces new regulatory requirements governing short selling of securities. The OCC wishes to help its clearing members comply with two aspects of Reg. SHO:

- **Uniform Locate Requirement** – Under Reg. SHO, broker dealers are required to “locate” securities available for borrowing prior to effecting short sales in all equities. Additional requirements are imposed upon designated “threshold securities.” Reg. SHO defines threshold securities as an equity security for which there is an aggregate fail to deliver position for five consecutive settlement days at a registered clearing agency (DTCC) of 10,000+ shares. The total number of shares which failed to be delivered must also equal at least 0.5% of the total shares outstanding.
- **Mandatory Close-Out Requirement for Threshold Securities** – When a clearing agency (NSCC) participant has a fail to deliver position in a threshold security that persists for ten consecutive days after settlement, the participant must take action to close out the position by buying the securities in the market. Until the position is closed out, the participant and any broker-dealer it clears for may not affect any further short sales in the particular security unless the security is first borrowed.

The OCC decided that the best way to aid the industry would be to collect the individual SRO threshold security lists and compile them in a single list. This will provide market participants with a single source for this information and hopefully eases the demands of collecting said lists. Beginning Monday June 27, 2005, this threshold security list will be published on OCC’s website, [http://www.optionsclearing.com/market/threshold\\_security/threshold\\_security.jsp](http://www.optionsclearing.com/market/threshold_security/threshold_security.jsp).

The OCC will not make any determination of whether a security is a “threshold security” for purposes of Regulation SHO. The OCC collects the information from other sources that OCC believes, but does not warrant, are reliable. OCC is providing such information on an AS IS AND AS AVAILABLE basis. OCC is not liable for any errors or omissions in such information, and further makes no warranty, whether express or implied, with respect to such information, or with respect to the timeliness, availability or accuracy of such information.

The threshold securities list can be viewed through an Internet browser or saved and used as a text file. The record layout will be identical to the individual SRO record layouts and will have the following structure.

## Threshold Securities List – Record Layout

Column Heading	Definition
Symbol	The four or five character identifier for the security.
Security Name	The name/description for each security.
Market Category	<p>The market category or primary listing exchange for each security.</p> <p>Possible values include:</p> <p>AMEX - American Stock Exchange            NYSE - New York Stock Exchange            ARCA - Archipelago Exchange            Q - NASDAQ National Market            S - Small Cap NASDAQ            U - OTCBB (NASDAQ Over the Counter Bulletin Board)            u - Other OTC (NASDAQ)            PHLX - Philadelphia Stock Exchange            MW - Chicago Stock Exchange</p>
Reg. SHO Threshold Flag	<p>Provided when the number of a security's shares represented in short positions is 10,000 shares or more and 0.5% or greater of the Total Shares Outstanding (TSO), for 5 consecutive settlement days or more, then the security becomes "restricted," and is subject to mandatory close-out requirements for short sales as outlined in the SEC's Regulation SHO.</p> <p>Value will always be "Y".</p>
Filler (1)	Not currently used by any exchange.
Filler (2)	Not currently used by any exchange.
CUSIP	The 9 character identifier for each security.
Time Stamp Row at end of the file	The end of the data file will contain a time stamp row in the following format: YYYYMMDDHHMMSS. The timestamp represents when the file is created and it could indicate a different date if posted after midnight of the settlement date.

If you have any questions, please contact your Clearing Member representative or the Member Services Help Desk at the following numbers: 800-621-6072 or 800-544-6091. Within Canada, please call 800-424-7320. Clearing Members may also e-mail us at [memberservices@theocc.com](mailto:memberservices@theocc.com).