



February 23, 2011

Notice to Broker-Dealer Clients regarding Rule 201

As you are aware, the compliance date for the new alternative uptick rule for short sales (Rule 201 of Regulation SHO) is February 28, 2011. In connection with the alternative uptick rule, new order marking requirements are being imposed on broker-dealers. Specifically, a broker-dealer may mark sell orders as “short exempt” only if the broker-dealer determines that all of the requirements of an available exemption under the rule have been met. We wanted to highlight for you guidance from the SEC indicating that the obligation to properly mark orders is on the broker-dealers submitting such orders (referred to herein as the “originating broker-dealers”). Thus, where you are the originating broker-dealer sending orders to Goldman Sachs Execution & Clearing, L.P. (GSEC), you, and not GSEC, bear the obligation to properly mark orders, including orders marked “short exempt.” GSEC is neither capturing information relating to the specific exemption relied upon nor validating that an exemption is available. For more details on each of the exemptions provided under the rule and the criteria for each, please refer to the [rule adopting release](#) published by the Securities and Exchange Commission (SEC) and the SEC staff’s [Responses to Frequently Asked Questions Concerning Rule 201](#) of Regulation SHO. Additionally, you should closely review our responses to [Frequently Asked Questions](#) which outlines in detail how we will handle short sale and short sale exempt orders to comply with Rule 201.

Specifically, the SEC staff has indicated that a broker-dealer may not submit an order marked “short exempt” under Rule 201(c), if the order is intended to be fully “un-displayed.” Please note that when using the smart router or an algorithm through Goldman Sachs Electronic Trading (GSET), your “short exempt” orders may be routed to a trading center that does not display orders (e.g., a dark pool) or child orders marked “short exempt” may be routed using an un-displayed order-type. Accordingly, you should consider the appropriateness of relying upon the broker-dealer exemption outlined in Rule 201(c) when using a GSEC smart router or algorithm that may send orders to non-displayed venues or that may use un-displayed order-types.

We hope that this information is helpful to you in determining your compliance with the new “short exempt” marking requirement of Regulation SHO. Again, since this is your obligation, and not GSEC’s, you should carefully review Regulation SHO and the SEC staff interpretations prior to sending short sale orders marked “short sale exempt” to GSEC as of the Rule 201 compliance date, February, 28, 2011.

If you have any questions regarding the amendments to SEC Rule 201 of Regulation SHO, or specific GSET order handling practices, please contact your GSEC sales representative.