



August 12, 2008

## **Special UPDATE to July 21 Communication Regarding SEC's Emergency Short Sale Order**

### **Background:**

On July 15, 2008, the Securities and Exchange Commission (SEC) issued an emergency order, effective July 21, 2008, prohibiting short sales in certain securities (listed below) unless the seller borrowed or arranged to borrow the subject security for delivery on settlement date of the trade (*i.e.*, a "pre-borrow"). The SEC extended the Order on July 29, 2008 for expiration at 11:59:59pm EST on August 12, 2008.

The SEC indicated that executing broker-dealers could rely on pre-borrows obtained by clients and could document the pre-borrow through the same mechanisms/infrastructure used prior to the Order's effectiveness (e.g. populating the "locate" field on the applicable sales system or order ticket).

### **What the Expiration of the SEC Order Means For You:**

***With the expiration of the Order, pre-borrows will no longer be required and short sale executions revert to the locate process requirement that was in effect prior to the Order.***

***As part of this process, any short sales that you place with J. P. Morgan Securities Inc. ("JPMSI") for execution, where you identify the source of your locate, your entry of information into the locate field on the applicable sales system or order ticket, or the information you provide to your JPMSI representative, constitutes a representation that you have affirmatively located the subject shares in compliance with SEC Regulation SHO and JPMSI may reasonably rely upon that representation.***

A full copy of the order is still available through the following link:  
<http://www.sec.gov/rules/other/2008/34-58166.pdf>. The list of securities subject to the order (as specified by ticker symbol) is included below:

<u>Company</u>	<u>Ticker Symbol(s)</u>
BNP Paribas Securities Corp.	BNPQF or BNPQY
Bank of America Corporation	BAC
Barclays PLC	BCS
Citigroup Inc.	C
Credit Suisse Group	CS
Daiwa Securities Group Inc.	DSECY
Deutsche Bank Group AG	DB
Allianz SE	AZ
Goldman Sachs Group Inc	GS
Royal Bank ADS	RBS
HSBC Holdings PLC ADS	HBC
J. P. Morgan Chase & Co.	JPM
Lehman Brothers Holdings Inc.	LEH
Merrill Lynch & Co., Inc.	MER
Mizuho Financial Group, Inc.	MFG
Morgan Stanley	MS
UBS AG	UBS
Freddie Mac	FRE
Fannie Mae	FNM

Please contact your JPMSI sales representative if you have any questions regarding this matter.