

MEMORANDUM

July 9, 2004

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OFFICE OF THE SECRETARY

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TO: File S7-23-03

FROM: Alexandra Albright
Division of Market Regulation

RE: Proposed Short Sales Rules; Regulation SHO; File No. S7-23-03
Telephonic Meeting with Options Industry

On May 20, 2004, members of the Division of Market Regulation and the Office of Economic Analysis engaged in a telephonic meeting with the following entities from the options industry: Chicago Board Options Exchange, Susquehanna International Group, L.L.P., First Options of Chicago, Inc., and Citadel Derivatives Group, L.L.P. The discussion concerned "locate" and "fail to deliver" processing relating to the proposed short sales rules. Additionally, the discussion covered risk assessment and hedging transactions. Two of the above entities have submitted separate comment letters. Both the Chicago Board Options Exchange and Susquehanna International Group, L.L.P. reiterated points made in their individual comment letters.