

MEMORANDUM

TO: File S7-12-06

FROM: Josephine Tao
Division of Market Regulation

DATE: January 12, 2007

RE: Proposed Amendments to Regulation SHO; File No. S7-12-06
Meeting with Citadel

On December 19, 2006, members from the Division of Market Regulation met with Matthew F. Andersen, John C. Nagel, Daniel Dufresne, Adam C. Cooper, Mathew Hinerfeld of Citadel Investment Group, L.L.C. to discuss the proposed Commission amendments to Regulation SHO. Citadel stated that it rarely uses the grandfather and options market maker exceptions to Regulation SHO because it has implemented procedures to close out fail positions prior to the 13th consecutive settlement day. Therefore, Citadel had no comments on the proposed amendments.