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**CONTACT**

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Asia Pacific  
+852.2846.3500

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Canada  
+1.416.874.0900

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EMEA  
+44.20.7670.4000

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United States  
+1.212.588.4000

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info@itg.com  
www.itg.com

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## SEC Rule 204

### FAILURE TO DELIVER

Under Rule 204(a) of Regulation SHO, all fail-to-deliver positions in equity securities resulting from short and long sales must be closed out by borrowing or purchasing securities of like kind and quantity **by no later than 9:30 a.m. on T+3 for short sales and T+5 for long sales**. Any fail to deliver position that is carried beyond T+3 or T+5 will result in a violation of Rule 204(a).

If the fail to deliver position is not closed out by the proper time by borrowing or purchasing securities of like kind and quantity, **ITG must place the relevant security on the restricted list for “No Short Sales Allowed.”** The security can be removed from the restricted list only after the purchase has cleared and settled at a registered clearing agency.

### WHAT DOES THIS MEAN FOR ITG’S CLIENTS?

To comply with the rule, ITG Inc. and its affiliates adopted a policy to prevent fails and to buy in any fails to deliver on a timely basis. Please be advised that if a client fails to deliver on settlement date, ITG will promptly resolve the fail through a “buy-in” transaction entered no later than 9:30a.m. ET on T+3 (in the case of short sales) or T+5 (in the case of long sales). To the extent we are unable to resolve the failed delivery of shares the client owes ITG through a buy-in, all ITG clients’ ability to effect short sales through ITG in that failing security will be subject to the condition that ITG must pre-borrow the shares the clients are selling short. If ITG cannot pre-borrow the shares then the security that was not bought in as required will be placed on a restricted list and any short sale orders in such security will be automatically rejected. This penalty condition could persist for several days until the fail is satisfied.

### WHAT CAN CLIENTS DO TO PREVENT FAILS?

Clients are urged to settle their transactions with ITG in a timely manner to avoid the possibility of a buy-in or other limitations being imposed. Clients should contact their custodian or prime broker and become familiar with their processes and ensure that the custodian or prime broker make prompt delivery to comply with the SEC requirements.

**Please contact your Account Executive with any questions.**