

attracting order flow, the Application may provide a new and enhanced source of liquidity for investors. Finally, existing market interest on Nasdaq will be adequately integrated into the Application through the Nasdaq Quote Montage Profiles, which will create the opportunity for trading interest expressed through user Profiles to interact with publicly displayed quotes.

The Commission finds that good cause exists to approve Amendment Nos. 2, 3, and 5 to the proposed rule change prior to the 30th day after the date of publication of filing thereof in the **Federal Register**. Amendment No. 2 expands the range of publicly displayed bid and offer quotes that will be included in a Cycle as Nasdaq Quote Montage Profiles and that will thereby interact with user Profiles. As the NASD notes, this change will make the Application more consistent with the PCX Application of the OptiMark System that previously was approved by the Commission. Amendment No. 3 merely clarifies that all users must be either self-clearing or sponsored by a Designated Broker that is a Clearing Broker, and that only Designated Brokers that are Clearing Brokers can establish the trading limits for users. Finally, Amendment No. 5 provides for an EDI to enhance the ability of Designated Brokers to modify Trading Limits or Alarm Thresholds, and establishes several trading parameters for the initial operations of the Application during the six-month pilot period; these trading parameters limit the scope of the Application during the pilot. The Commission therefore finds good cause to accelerate approval of Amendment Nos. 2, 3, and 5.

#### V. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment Nos. 2, 3, and 5, including whether they are consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be

available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-98-85 and should be submitted by October 28, 1999.

#### VI. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>54</sup> that the proposed rule change (SR-NASD-98-85) is approved on a pilot basis until April 3, 2000.<sup>55</sup>

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>56</sup>

**Jonathan G. Katz,**

*Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41946; File No. SR-NASD-99-5]

#### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Clarifying Web CRD Policies

September 29, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 24, 1999, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary NASD Regulation, Inc. ("NASD Regulation" or "NASDR"), filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation. NASDR has designated this proposal as new constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule under Section 19(b)(3)(A)<sup>3</sup> of the Act, which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this

<sup>54</sup> 15 U.S.C. 78s(b)(2).

<sup>55</sup> Approval of the pilot should not be interpreted as indicating that the Commission is predisposed to approving the proposal permanently.

<sup>56</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASD Regulation proposes to clarify Forms U-4 and U-5.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASDR included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASDR has prepared summaries, set forth in Sections A, B, and C below, for the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The purpose of the proposed rule change is to clarify Forms U-4 and U-5. Members file Forms U-4 and U-5 electronically pursuant to NASD Rule 1140, with one exception. New member applicants file their initial Forms BD and U-4 on paper under NASD Rule 1013. Because the majority of the filings will be done electronically, NASDR has determined that mailing address for the Central Registration Depository ("CRD") should be removed from the cover pages of Forms U-4 and U-5 to help eliminate any potential confusion among members about how to submit the Forms. NASDR has issued numerous communications to members about Web CRD and electronic filing requirements, and anticipates that members and new member applicants will comply with the rules and stated policies. NASDR will be submitting a separate rule filing further clarifying Rule 1013 and how new member applicants will be given access to Web CRD so that all amendments to their initial Forms BD and U-4 will be submitted electronically in compliance with Commission requirements.<sup>4</sup>

###### 2. Statutory Basis

NASDR believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6)<sup>5</sup> of the

<sup>4</sup> See Securities Exchange Act Release No. 41594 (July 2, 1999), 64 FR 37586 (July 12, 1999).

<sup>5</sup> 15 U.S.C. 78o-3(b)(6).

Act, which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed rule change clarifies certain practices with respect to Web CRD.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

NASDR does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments were neither solicited nor received.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Because the foregoing rule change constitutes a stated policy, practice, or interpretation with respect to the meeting, administration, or enforcement of an existing rule, it has become effective pursuant to Section 19(b)(3)(A)(i) <sup>6</sup> of the Act and subparagraph (f)(1) of Rule 19b-4 thereunder.<sup>7</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the

provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-99-50 and should be submitted by October 28, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Jonathan G. Katz,**  
Secretary.

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-41970; File No. SR-PCX-99-24]

### **Self-Regulatory Organizations; Pacific Exchange, Inc.; Order Granting Accelerated Approval of Proposed Rule Change and Amendments 1 and 2 Thereto and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 3 to Proposed Rule Change Relating to Automated Opening Rotations**

September 30, 1999.

#### **I. Introduction**

On July 13, 1999, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to adopt a new Automated Opening Rotation ("AOR") system for handling customer orders and executing option transactions during the opening rotation. On August 4, 1999, the Exchange filed with the Commission Amendment No. 1 to the proposed rule change.<sup>3</sup> Notice of the proposed rule change, as amended, appeared in the **Federal Register** on August 30, 1999.<sup>4</sup> The Commission received no comments regarding the proposal. On September 1, 1999, the PCX filed Amendment No. 2 to the proposal.<sup>5</sup> Notice of Amendment

<sup>8</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Letter from Michael D. Pierson, Director, Regulatory Policy, PCX, to Michael A. Walinskas, Associate Director, Division of Market Regulation ("Division"), Commission, dated August 3, 1999 ("Amendment No. 1").

<sup>4</sup> See Securities Exchange Act Release No. 41774 (August 20, 1999), 64 FR 47210.

<sup>5</sup> See Letter from Michael D. Pierson, Director, Regulatory Policy, PCX, to Richard Strasser,

No. 2 appeared in the **Federal Register** on September 10, 1999.<sup>6</sup> On September 27, 1999, the Exchange filed Amendment No. 3.<sup>7</sup> This Order approves the proposed AOR pilot until October 1, 2000, as amended. In addition, the Commission is publishing this notice to solicit comments on Amendment No. 3 and is simultaneously approving the Amendment No. 3.

#### **II. Description of Proposal**

The Exchange is proposing to adopt a new procedure that will allow the Order Book Official ("OBO") to establish electronically, for eligible options series, a single price opening for executing eligible market and marketable limit orders in the POETS system. The PCX proposes to implement the new procedure on a one-year pilot basis until October 1, 2000.<sup>8</sup> In the event of an imbalance, any remaining orders in the system that are eligible to be executed will be assigned to market makers participating on the Auto-Ex System. The new process involves three basic steps: first, the markets are established; second, the opening rotation is automatically processed for the majority of series; and finally, any series with manual orders or complication is opened manually, *i.e.*, pursuant to the current procedures for opening rotations.<sup>9</sup>

More specifically, under the new AOR process, opening rotations on the PCX will occur in the following manner: Prior to the opening the OBO will determine whether there are any orders in the trading crowd to be executed at the opening.<sup>10</sup> Once the underlying

Assistant Director, Division, Commission, dated September 1, 1999 ("Amendment No. 2").

<sup>6</sup> See Securities Exchange Act Release No. 41824 (September 1, 1999), 64 FR 49263 (noticing additions to the proposed rule change and granting partial accelerated approval for the implementation of AOR for 16 issues on a thirty day pilot basis). The Commission notes that the PCX has represented that the Exchange has not experienced any problems with AOR on the 16 pilot issues. Telephone conversation between Michael D. Pierson, Director, Regulatory Policy, PCX, and Terri Evans, Attorney, Division, Commission, on September 30, 1999.

<sup>7</sup> In Amendment No. 3, the Exchange proposes to implement the AOR system for all issues on a one-year pilot basis. See Letter from Michael D. Pierson, Director, Regulatory Policy, PCX, to Richard C. Strasser, Associate Director, Division, Commission, dated September 24, 1999 ("Amendment No. 3").

<sup>8</sup> *Id.*

<sup>9</sup> See Securities Exchange Act Release No. 41774, *supra* note 4.

<sup>10</sup> These may include, for example, orders that cannot be represented in POETS, such as contingency orders, broker/dealer orders, orders designated "not held," orders for spreads or straddlers, combination orders, all-or-none orders, as well as any order the floor broker determines to represent manually.

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>7</sup> 17 CFR 240.19b-4(f)(1).