

is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File N. SR-DTC-00-09) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁷

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43575; File No. SR-NASD-00-66]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Maximum Share Size Order Parameters for the Nasdaq National Market Execution System

November 16, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 6, 2000, the National Association of Securities Dealers, Inc., through its wholly-owned subsidiary The Nasdaq Stock Market, Inc. ("Nasdaq") 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 Nasdaq. Nasdaq filed with the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(5) thereunder.⁴ Pursuant to Rule 19b-4(f)(5), Nasdaq has designated this proposal as one effecting a change in an existing order-entry or trading system of a self-regulatory organization that does not: (1) Significantly affect the protection of investors or the public interest, (2) impose any significant burden on competition, or (3) significantly have the effect of limiting the access to or availability of the system. As such, the proposed rule change is immediately effective upon the Commission's receipt of this filing. The Commission is

publishing this 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

Nasdaq is proposing to amend Rule 4710(d) of the National Association of Securities Dealers, Inc. ("NASD" or "Association"), to expand the maximum share size parameter for orders entered into the Nasdaq National Market Execution System ("NNMS"). Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

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4710. Participant Obligations in NNMS

(a) through (c) No Change.

(d) Order Entry Parameters.

(1) No Change.

(2) No Change.

(3) NNMS will not accept orders that exceed [9,900] *999,999* shares, and no participant in the NNMS system shall enter an order into the system that exceeds [9,900] *999,999 shares*.

(e) No Change.

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

In its filing with the Commission, Nasdaq 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. Nasdaq has prepared summaries, set forth in Sections (A), (B), and (C) below, of 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

Nasdaq is proposing to expand the maximum share size parameter for single orders entered into the NNMS. Currently, the maximum number of shares that may be entered into NNMS using a single order is 9,900. Under the rule change proposed here, that single order maximum share amount will be increased to 999,999 shares. As outlined in the Commission's approval order of the NNMS system, the smaller 9,900-share order entry size was a response to then existing technological system constraints.⁵ In the interim between the

Commission's approval of NNMS and the system's upcoming implementation, Nasdaq technology staff diligently worked to modify and improve the NNMS order processing and execution platform to accommodate a larger single order size maximum. As the result of those efforts, Nasdaq is now prepared to provide to NNMS participants a single order share maximum entry capability of 999,999 shares. Expansion of NNMS's automatic execution single order maximum size parameter will give users the optional ability to seek automatic execution of larger orders in the NNMS system than would be allowed under current NNMS rules. In addition to providing increased flexibility and functionality to NNMS users, the proposal also establishes uniformity in maximum single-order size parameters between Nasdaq's automatic execution and order delivery systems.

For the reasons set forth above, Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act⁶ in that the proposal is designed to promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in processing information with respect to and facilitating transactions in securities, as well as removing impediments to and perfecting the mechanism of a free and open market, and, in general, to protect investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

Nasdaq 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)⁷ of the Act and Rule 19b-4(f)(5)⁸ thereunder in that it constitutes a change in an existing order-entry or trading system of a self-regulatory organization that does not: (1) Significantly affect the protection of investors or the public interest, (2)

¹⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(5).

⁵ See Securities Exchange Act Release No. 42344 (January 14, 2000), 65 FR 3897.

⁶ 15 U.S.C. 78o-3(b)(6).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(5).

impose any significant burden on competition, or (3) significantly have the effect of limiting the access to or availability of the system. At any time within 60 days of the filing of such 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 purpose of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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 will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by December 18, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43564; File No. SR-NASD-00-61]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Penalty for Market Makers That Voluntarily or Accidentally Withdraw Their Quotes or Fail To Refresh Their Quotes and the Time Period Market Makers Have To Apply To Reinstate Their Quotes

November 15, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 18, 2000, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, Nasdaq Stock Market, Inc. ("Nasdaq"), 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 Nasdaq. The Commission is publishing this 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

Nasdaq is filing this proposed rule change to amend NASD Rules 4620 and 4730 to reduce the penalty for market makers that voluntarily or accidentally withdraw their quotes or fail to refresh their quotes in a timely manner. The proposal would also increase the time period market makers have to apply to reinstate their quotes.

The text of the proposed rule change follows. Proposed new rule language is in italics; proposed deletions are in brackets.

4620. Voluntary Termination of Registration

(a) A market maker may voluntarily terminate its registration in a security by withdrawing its quotations from The Nasdaq Stock Market. A market maker that voluntarily terminates its registration in a security may not re-register as a market maker in that security for [twenty (20)] *ten (10)* business days. Withdrawal from SOES participation as a market maker in a Nasdaq National Market security shall constitute termination of registration as a market maker in that security for purposes of this Rule; provided, however, that a market maker that fails to maintain a clearing arrangement with a registered clearing agency or with a member of such an agency and is withdrawn

from participation in the Automated Confirmation Transaction System and thereby terminates its registration as a market maker in Nasdaq National Market issues may register as a market maker at any time after a clearing arrangement has been reestablished and the market maker has complied with ACT participant requirements contained in Rule 6100.

(b) Notwithstanding the above, a market maker that accidentally withdraws as a market maker may be reinstated if:

(1) The market maker notified Market Operations of the accidental withdrawal as soon as practicable under the circumstances, but *no later than 7:00 p.m. Eastern Time on the same day* [within at least one hour] of such withdrawal, and immediately thereafter provided written notification of the withdrawal and reinstatement request;

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4730. Participant Obligations in SOES

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(b) Market Makers

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(6) In the case of an NNM security, a Market Maker will be suspended from SOES if its bid or offer has been decremented to zero due to SOES executions and will be permitted a standard grace period, the duration of which will be established and published by the Association, within which to take action to restore a two-sided quotation in the security for at least one normal unit of trading. A Market Maker that fails to reenter a two-sided quotation in a NNM security within the allotted time will be deemed to have withdrawn as a Market Maker ("SOESed out of the Box"). Except as provided below in this subparagraph and in subparagraph (7), a Market Maker that withdraws in an NNM security may not reenter SOES as a Market Maker in the security for [twenty (20)] *ten (10)* business days.

(A) Notwithstanding the above, a market maker can be reinstated if:

(i) the market maker makes a request for reinstatement to Market Operations as soon as practicable under the circumstances, but *no later than 7:00 p.m. Eastern Time on the same day* [within at least one hour] of having been SOESed out of the Box, and immediately thereafter provides written notification of the reinstatement request;

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

In its filing with the commission, Nasdaq 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. Nasdaq has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁹ 17 CFR 200.30-3(a)(12).