

customer and broker-dealer orders. When the sizes of a particular quote is exhausted, the Exchange's trading system automatically moves the quote to an inferior price according to parameters preset by the market maker. However, the system moves only the quotation in the options series in which there was a trade, leaving the market maker exposed to the risk that multiple orders may be executed nearly simultaneously in many series of the same option. This situation increases in ISE market maker's "delta risk" (the amount of underlying stock that would be necessary to hedge the options position), due to exposure across multiple series. This could result in ISE market makers providing more liquidity than may be available in the underlying stock.

The proposed rule change states that members shall not cause the entry of more than one order every fifteen seconds for the account of the same beneficial owner in options on the same underlying security. The Exchange represents that the proposed rule change is designed to reduce ISE market maker risk exposure by limiting the ability of a person to rapidly send in orders in the same series or multiple series of the same underlying security. The Exchange believes that fifteen seconds is sufficient to allow market makers to move quotations following an execution, while at the same time not unduly long as to place a burden on investors seeking execution on the Exchange.

The Exchange also proposes to amend paragraph (g) of ISE Rule 717, which currently prohibits an EAM from entering an order for any other member of the Exchange. The amendment will limit the scope of ISE Rule 717(g) to only prohibit EAMs from entering orders for ISE market maker accounts. The Exchange believes that this reflects the original intent of ISE Rule 717(g), which was to prevent market makers from entering orders through other members, thus disguising their trading in an attempt to avoid the requirements in ISE Rule 805 that they do a specified percentage of their volume in their assigned options classes. The proposed rule change recognizes that there are legitimate reasons why a member may enter orders on the Exchange through an EAM. These reasons vary. For example, some EAMs desire a temporary means of routing orders to the ISE until they are connected directly to the Exchange. In addition, a few members have clearing relationships with EAMs and therefore route orders through them. The ISE represents that in its experience to date, there is no regulatory reason why this type of order routing should be limited.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>5</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose 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*

The Exchange did not solicit or receive written comments on the proposed rule change.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- (A) by order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-ISE-00-20 and should be submitted by February 6, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

[FR Doc. 01-1152 Filed 1-12-01; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43815; File No. SR-NASD-00-81]

### Self Regulatory Organizations; Notice of Filing of a Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Computer to Computer Interface Fees For non-NASD Members

January 8, 2001.

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 December 26, 2000, the National Association of Securities Dealers, Inc. ("NASD") 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.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

Nasdaq is proposing to amend NASD Rule 7010 to change the manner in which fees are assessed on non-NASD

<sup>6</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> On December 26, 2000, Nasdaq filed Amendment No. 1 with the Commission. Amendment No. 1 noted that Nasdaq's Board of Directors approved the proposed rule change at its meeting on October 4, 2000, and the NASD Board of Governors reviewed the proposal at its meeting on October 5, 2000.

<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

members who use a Computer-to-Computer Interface ("CTCI") to access Nasdaq services. This new fee structure has been created to reflect Nasdaq's adoption of a new Transmission Control Protocol/Internet Protocol ("TCP/IP") standard for CTCI linkages that will allow transmission of CTCI data using Nasdaq's Enterprise Wide Network II ("EWNII"). Proposed new language is underlined, proposed deletions are in

brackets. Nasdaq intends to impose these fees on a rolling basis on non-members as they are converted to the new protocol and T1 or 56kb lines.<sup>4</sup> Proposed new language is in italics; proposed deletions are in brackets.

**7000 Charges for Services and Equipment**

*7010. System Services*

- (a) through (e) No Change.
- (f) Nasdaq Workstation™ Service
- (1) through (2) No Change.
- (3) The following charges shall apply for each CTCT subscriber:  

[Service Charge	\$200/month per CTCI circuit]
-----------------	-------------------------------

*Options*

*Price*

<i>Option 1: Dual 56kb lines (one for redundancy) and single hub and router</i>	<i>\$1275/month</i>
<i>Option 2: Dual 56kb lines (one for redundancy), dual hubs (one for redundancy), and dual routers (one for redundancy)</i>	<i>\$1600/month</i>
<i>Option 3: Dual T1 lines (one for redundancy), dual hubs (one for redundancy), and dual routers (one for redundancy). Includes base bandwidth of 128kb</i>	<i>\$8000/month</i>
<i>Disaster Recovery Option: Single 56kb line with single hub and router. (For remote disaster recovery sites only.)</i>	<i>\$975/month</i>
<i>Bandwidth Enhancement Fee (for T1 subscribers only) Installation fee</i>	<i>\$4000/month per 64kb increase above 128kb T1 base \$2000 per site for dual hubs and routers \$1000 per site for single hub and router</i>
<i>Relocation Fee (for the movement of TCP/IP—capable lines within a single location)</i>	<i>\$1700 per relocation</i>

\* \* \* \* \*

**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*

1. Purpose

Nasdaq is proposing to amend NASD Rule 7010 to change the manner in which fees are assessed on NASD members who use a CTCI to access Nasdaq services. This new fee structure has been created to reflect Nasdaq's adoption of a new TCP/IP standard for CTCI linkages that will allow transmission of CTCI data using Nasdaq's EWNII. The CTCI network is a point-to-point dedicated circuit connection from the premises of brokerages and service providers to Nasdaq's processing facilities in Trumbull, Connecticut. Through CTCI,

firms are able to enter trade reports to Nasdaq's Automated Confirmation Transaction Service ("ACT") and orders to Nasdaq's ACES and Small Order Execution ("SOES") systems. CTCI processes SelectNet transaction confirmation reports.

In response to numerous requests from market participants that Nasdaq upgrade the speed and reliability of its current CTCI data transmission environment, Nasdaq has determined to sunset its existing CTCI X.25/bisysnch network.<sup>5</sup> This network currently operates using an X.25 transmission protocol over 19.2 kilo bits per second ("kb") transmission lines. This X.25 system will be replaced by linking current CTCI subscribers to Nasdaq's faster and more reliable EWNII. EWNII

<sup>4</sup>Nasdaq has filed a separate proposal to impose these same fees on NASD members who interact with Nasdaq through a CTCI. See Securities Exchange Act Release No. 43821 (January 8, 2001).

<sup>5</sup>Given the age of the current CTCI X.25 network, Nasdaq also anticipates deficiency in obtaining sufficient hardware to meet future CTCI needs using the X.25 infrastructure.

operates over new more powerful 56kb and T1 data lines and transmits electronic information using the industry-standard TCP/IP transmission protocol. Once the transition to EWNII is completed, Nasdaq will terminate its current X.25/bisynch network. This upgrade will require all current X.25/19.2kb users to install either 56kb or T1 lines. Nasdaq believes that, in return, these lines will provide a minimum data transmission capability of almost three times that of the current 19kb-based interface. Moreover, running a TCP/IP protocol over these faster 56Kb and T1 lines will allow Nasdaq to provide CTCI subscribers with linkages that are more robust, customizable, and efficient in the use of available network bandwidth.

## 2. Statutory Basis

Nasdaq believes that the proposed rule changes are consistent with Section 15A(b)(5) of the Act, which requires that the rules of the NASD provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the NASD operates or controls.

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

Nasdaq does not believe that the proposed rule change will impose 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*

Nasdaq did not solicit or receive written comments on the proposed rule change.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the NASD consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-00-81 and should be submitted by February 6, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 01-1150 Filed 1-12-01; 8:45 am]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43821; File No. SR-NASD-80]

### **Self Regulatory Organization; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Computer to Computer Interface Fees for NASD Members**

January 8, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>6</sup> 17 CFR 200.30-3(a)(12).

(“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 26, 2000, the National Association of Securities Dealers, Inc. (“NASD”) 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.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

Nasdaq is proposing to amend NASD Rule 7010 to change the manner in which fees are assessed on NASD members who use a Computer-to-Computer Interface (“CTCI”) to access Nasdaq services. This new fee structure has been created to reflect Nasdaq's adoption of a new Transmission Control Protocol/Internet Protocol (“TCP/IP”) standard for CTCI linkages that will allow transmission of CTCI data using Nasdaq's Enterprise Wide Network II (“EWNII”). Nasdaq intends to impose these fees on a rolling basis on members as they are converted to the new protocol and T1 or 56kb lines.<sup>4</sup> Proposed new language is in italics; proposed deletions are in brackets.

\* \* \* \* \*

### **7000 Charges for Services and Equipment**

#### *7010. System Services*

- (a) through (e) No Change.
- (f) Nasdaq Workstation™ Service
- (1) through (2) No Change.
- (3) The following charges shall apply for each CTCT subscriber:
 

[Service Charge	\$200/month per
CTCI circuit]	

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

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

<sup>3</sup> On December 26, 2000, Nasdaq filed Amendment No. 1 with the Commission. Amendment No. 1 noted that Nasdaq's Board of Directors approved the proposed rule change at its meeting on October 4, 2000, and the NASD Board of Governors reviewed the proposal at its meeting on October 5, 2000.

<sup>4</sup> Nasdaq has filed a separate proposal to impose these same fees on non-members who interact with Nasdaq through a CTCI. See Securities Exchange Act Release No. 43815 (January 8, 2001).