

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 will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-2002-98 and should be submitted by September 20, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>20</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46411; File No. SR-NASD-2002-92]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change Relating to the Establishment of Day and Good-Till-Cancelled Order Designations for Non-Directed Orders in the Nasdaq SuperMontage

August 23, 2002.

#### I. Introduction

On July 1, 2002, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its subsidiary, the Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("SEC" or "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 establish "Good-till-Cancelled" ("GTC") and "Day" designations for Non-Directed Orders and clarify the processing of such orders when held in Nasdaq's future Order Display and Collector Facility

("SuperMontage"). The proposed rule change was published for comment in the **Federal Register** on July 5, 2002.<sup>3</sup> The Commission did not receive any comment letters regarding the proposal. This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

Nasdaq proposes to establish Day and GTC order designations for Non-Directed Orders in SuperMontage. Under the proposal, a Day order would be held in SuperMontage for potential display and/or execution (unless cancelled by the entering party) until the 4:00 p.m. Eastern Standard Time ("EST") Nasdaq market close. At the market close, the order, if not fully executed, would be removed from the system and returned to the entering party. A GTC order would be held in the SuperMontage for potential display and/or execution (unless cancelled by the entering party) for up to one year. At the market close of the one-year anniversary date, the order, if not fully executed, would be removed from the Nasdaq system and returned to the entering party. If this anniversary date fell on a date when the Nasdaq market was closed, the GTC order would be purged after the close of the next business day.

Market makers, Electronic Communication Networks ("ECNs"), and Unlisted Trading Privileges Exchanges (collectively "Quoting Market Participants") could designate a non-directed limit order as Day, GTC, or Immediate or Cancel ("IOC"). If a Quoting Market Participant entered a non-directed limit order without a designation, such an order would be designated as IOC, the system's default designation.<sup>4</sup>

Under the proposal, whenever a Non-Directed Order designated as Day or GTC is entered into the system, it would receive a time stamp to be used in determining the order's price/time priority consistent with the current SuperMontage rules.<sup>5</sup> Day and GTC

<sup>3</sup> See Securities Exchange Act Release No. 46155 (July 1, 2002), 67 FR 44914.

<sup>4</sup> An IOC order if not immediately executed is canceled from the system and returned to the order entry participant.

<sup>5</sup> As contemplated, SuperMontage will have four distinct time periods over the course of the trading day: (1) The Pre-Market Session (7:30 a.m. to 9:29:29 a.m. EST), (2) the Pre-Open Unlocking/Uncrossing Process (9:29:30 a.m. to 9:29:59 a.m. EST), (3) Normal Market Hours (9:30 a.m. to 4:00 p.m. EST), and (4) the After-Hours Session (4:00 p.m. to 6:30 p.m. EST). See Securities Exchange Act Release No. 46410, (August 23, 2002) (approving amendments to SuperMontage Pre-Market Session including the Pre-Open Unlocking/Uncrossing Process) and File No. NASD-2002-114 (extending the Nasdaq After-Hours Pilot to SuperMontage).

orders would be executed pursuant to the execution algorithm selected (price/time (default), price/time taking into account access fees, and price/size/time) by the entering market participant.<sup>6</sup> Day orders could be entered into SuperMontage during the Pre-Market Session through Normal Market Hours. GTC orders could be entered into SuperMontage during the Pre-Market Session through the After Hours Session. Day and GTC orders would be eligible for execution during the Nasdaq Unlocking/Uncrossing Session (beginning at 9:29:30 a.m. EST) throughout the Normal Market Hours (ending at 4:00 p.m. EST). At the close of Normal Market Hours, unexecuted Day orders would expire and be returned to the entering participant. GTC orders that are not executed or cancelled would continue residing in the system at the close of Normal Market Hours, however, such orders would not be eligible for execution through the Non-Directed Order process during the Nasdaq After-Hours Session. Thus, after the 4:00 p.m. EST market close, GTC orders residing in the system would not be eligible for execution through the Non-Directed Order process until the following business day at 9:29:30 a.m. EST.

To clarify that the SuperMontage will accept, retain, display, and execute orders at multiple price levels, Nasdaq also proposed to remove the term "marketable" from the text of Rule 4706(a)(1)(B).

#### III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association.<sup>7</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 15A.<sup>8</sup> Specifically, the Commission finds that the proposed rule change is consistent with section 15A(b)(6) of the Act because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, to foster cooperation

<sup>6</sup> If a Non-Directed Order is entered by a Market Maker or ECN, SuperMontage will, before sending it to a Quoting Market Participant, first attempt to match the order off against the entering party's own quote/order, if that quote/order is at the best price in Nasdaq. See Rule 4710(b)(1)(B)(iv)(a). Parties entering Non-Directed Orders also have an option to preference such orders to a particular market participant. See Rule 4710(b)(1)(B)(iv)(b).

<sup>7</sup> In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>8</sup> 15 U.S.C. 78o-3.

<sup>20</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.

and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.<sup>9</sup>

The Commission finds that Nasdaq's proposal to allow Quoting Market Participants to enter GTC and Day orders, in addition to IOC orders, is consistent with the Act. In particular, the addition of GTC and Day orders will provide SuperMontage participants with more options beyond IOC orders for entering orders into the system. The Commission believes that the flexibility added by the proposal will give Quoting Market Participants more options in the designation of order types, which in turn should allow the trading interest and strategies of customers to be better reflected in SuperMontage. The Commission also notes that other market centers, including the New York Stock Exchange ("NYSE") and the Pacific Stock Exchange Equities ("PCXE") allow the use order of Day or GTC order types.<sup>10</sup>

#### IV. Conclusion

For the foregoing reasons, the Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-NASD-2002-92) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 02-22218 Filed 8-29-02; 8:45 am]

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## SOCIAL SECURITY ADMINISTRATION

### Use of Digital or Other Electronic Signature Technologies

**AGENCY:** Social Security Administration (SSA).

**ACTION:** Notice; comments requested.

**SUMMARY:** The Social Security Administration (SSA) is reviewing its procedures for the consideration and the approval of electronic signature

technologies in lieu of traditional hard copy ("wet") signatures. This notice explains SSA's authority to accept the use of electronic signature technologies when the Agency makes available options for electronically transacting program business with SSA or with State agencies acting on the Agency's behalf. We are also asking for public comments on the portion of this notice that deals with SSA's electronic signature policy.

In addition, we are giving notice about a pilot program to evaluate the use of digital signature technology. SSA is currently cooperating with a State of California pilot intended to explore the feasibility of using digital signature technology in an aspect of the Social Security Disability Insurance and the Supplemental Security Income programs.

The pilot involves the electronic transmission of medical records that require a signature (*i.e.*, reports of consultative examinations) by a large medical provider to the SSA and to the California State Disability Determination Services (DDS). In the pilot, SSA and the California DDS are accepting electronic medical reports for a 90-day period and are using only these electronic documents to process claims for social security benefits. During this period, SSA and the California State DDS are to evaluate, in accordance with existing regulations, the information contained in the electronic medical evidence submitted during the pilot.

**DATES:** Submit your comments on SSA's electronic signature policy on or before September 30, 2002.

**ADDRESSES:** You may give us your comments by using our Internet site facility (*i.e.*, Social Security Online) at <http://www.ssa.gov/regulations>, e-mail to [regulations@ssa.gov](mailto:regulations@ssa.gov); or telefax to (410) 966-2830; or by letter to the Commissioner of Social Security, PO Box 17703, Baltimore, Maryland 21235-7703.

You may also deliver them to the Office of Process and Innovation Management, Social Security Administration, 2109 West Low Rise Building, 6401 Security Boulevard, Baltimore, Maryland 21235-6401, between 8 a.m. and 4:30 p.m. on regular business days. Comments are posted on our Internet site, or you may inspect them physically on regular business days by making arrangements with the contact person shown in this notice.

**FOR FURTHER INFORMATION:** Fred Graf, Office of Program Benefits, Social Security Administration, 744 Altmeyer Building, 6401 Security Blvd., Baltimore

MD 21235-6401; telephone (410) 965-7917; telefax 410 965-8582.

#### SUPPLEMENTARY INFORMATION:

##### SSA Electronic Signature Policy

Pursuant to the Government Paperwork Elimination Act (GPEA), SSA is reviewing electronic signature technologies for possible use in proposed SSA electronic business processes. Approved electronic signature technologies will be used to authenticate the identity of individuals for specific electronic transactions. Further, approved electronic signature technologies will be deemed by the Agency to convey the same authority to an individual as that associated with the traditional paper-based or "wet" signature.

GPEA states that electronic records and their related electronic signatures are not to be denied legal effect, validity, or enforceability merely because they are in electronic form. GPEA and implementation guidelines issued by the Office of Management and Budget (OMB) encourage Federal agencies to accept a variety of electronic signature technologies.

SSA's policy, contained in Social Security Ruling (SSR) 96-10p, further provides that information or documents, for which a signature is required, can be signed using digital or other electronic technologies approved by us, provided that the digital or other electronic signature reasonably ensures that the signer can be identified and that the signer cannot later repudiate the submission of the information. SSR 96-10p expands the meaning of the term "signature" for SSA's activities to include electronic and digital methods that serve the purpose of originator identification, authentication, and non-repudiation. Thus, SSR 96-10p provides that information for which a signature is required may be signed using digital or other electronic technologies approved by us.

The Social Security Act does not mandate a signature on SSA documents or forms. However, SSA's regulations prescribe a signature for some SSA business applications and information. Where our regulations are silent regarding a signature, our procedures may still require, as a matter of policy, individuals to include a signature on information or documents submitted to us.

When we convert to or adopt new electronic procedures to perform specific business processes that require a signature, we will conduct a risk analysis as OMB guidelines and as applicable social security ruling(s) prescribe. Based on the statutory/

<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

<sup>10</sup> See NYSE Rule 13 and PCXE Rule 7.31(c).

<sup>11</sup> 15 U.S.C. 78s(b)(2).

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