

**MEMO# 21436**

August 7, 2007

# **SEC Approves Nasdaq Proposal to Reestablish PORTAL Market System**

[21436]

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 45-07  
SEC RULES MEMBERS No. 105-07  
FIXED-INCOME ADVISORY COMMITTEE No. 20-07  
SMALL FUNDS MEMBERS No. 68-07 RE: SEC APPROVES NASDAQ PROPOSAL TO REESTABLISH PORTAL MARKET SYSTEM

The Securities and Exchange Commission approved a proposed rule change by The NASDAQ Stock Market (Nasdaq) to reestablish a quotation and trading system for “PORTAL securities,” [\[1\]](#) generally those securities that were sold in private placements and are eligible for resale under SEC Rule 144A. The approved amendments to the PORTAL rules will: (1) establish qualification requirements for brokers and dealers that are Nasdaq members and qualified institutional buyers (“QIBs”) that wish to access PORTAL; and (ii) implement quotation, trade negotiation and trade reporting functions in the PORTAL Market with respect to PORTAL-designated securities. PORTAL Market information will not be disseminated to the public.

Institutions that execute a subscriber agreement, agree to comply with the PORTAL rules and meet the \$100 million standard of being a QIB under 144A [\[2\]](#) will be qualified by Nasdaq as a “PORTAL Qualified Investor” to access the PORTAL Market. The new system will include electronic negotiation features and anonymity provisions, but PORTAL Qualified Investors may not directly or indirectly access the trading or negotiation functionality of the PORTAL system. They may, however, view quotes and executions emanating from the system and may direct messages to Nasdaq qualified “PORTAL Brokers” and “PORTAL Dealers” to seek to have the broker or dealer represent them and negotiate and/or execute on their behalf with other PORTAL Brokers and Dealers.

PORTAL designation is limited to those Rule 144A securities that are initially sold to QIBs by a broker-dealer acting as an initial placement agent or initial purchaser. PORTAL securities may not be securities of an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act of 1940.

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**endnotes**

[1] The order approving the proposal can be found on the SEC's website at <http://www.sec.gov/rules/sro/nasdaq/2007/34-56172.pdf>. See also [Memorandum](#) to Equity Markets Advisory Committee No. 26-07, SEC Rules Members No. 47-07 and Fixed-Income Advisory Committee No. 9-07, dated May 8, 2007 [21109].

[2] QIBs include institutional investors that in the aggregate own or invest on a discretionary basis at least \$100 million in securities and broker-dealers that in the aggregate own or invest on a discretionary basis at least \$10 million in securities.

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