

**MEMO# 21109**

May 8, 2007

# **Nasdaq Proposed Rule Change To Establish Quotation and Trading System for "PORTAL Securities"**

[21109]

May 8, 2007

TO: EQUITY MARKETS ADVISORY COMMITTEE No. 26-07

SEC RULES MEMBERS No. 47-07

FIXED-INCOME ADVISORY COMMITTEE No. 9-07 RE: NASDAQ PROPOSED RULE CHANGE TO ESTABLISH QUOTATION AND TRADING SYSTEM FOR "PORTAL SECURITIES"

The NASDAQ Stock Market (Nasdaq) has filed a proposed rule change with the SEC to establish a quotation and trading system for "PORTAL securities," [\[1\]](#) generally those securities that were sold in private placements and that are eligible for resale under SEC Rule 144A. [\[2\]](#) Among other things, the proposal will: (1) establish qualification requirements for QIBs that wish to access the PORTAL system; and (ii) implement quotation, trade negotiation and trade reporting functions for the PORTAL system with respect to PORTAL-designated securities. Institutions that execute a subscriber agreement, agree to comply with the PORTAL rules and meet the \$100 million standard of being a QIB under Rule 144A would be qualified by Nasdaq as a "PORTAL Qualified Investor" eligible to access the PORTAL system. The system would include electronic negotiation features and anonymity provisions for qualified investors and PORTAL market information would not be publicly disseminated.

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.

Heather L. Traeger  
Assistant Counsel

**endnotes**

[1] The proposal can be found on the SEC's website at <http://www.sec.gov/rules/sro/nasdaq/2007/34-55669.pdf>. Comments on the proposal are due to the SEC no later than May 22.

[2] Rule 144A provides an exemption from registration under Section 5 of the Securities Act of 1933 for resales of privately placed securities to investors that meet the eligibility requirements of being a qualified institutional buyer ("QIB") under Rule 144A(a)(1). 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.

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.