

MEMO# 11090

June 29, 1999

SEC APPROVES NASD PROPOSED RULE CHANGE RELATING TO FIRM QUOTATION REQUIREMENTS

1 Securities Exchange Act Release No. 41543 (June 22, 1999), 64 FR 34835 (June 29, 1999). [11090] June 29, 1999 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 24-99 RE: SEC APPROVES NASD PROPOSED RULE CHANGE RELATING TO FIRM QUOTATION REQUIREMENTS

The Securities and Exchange Commission ("SEC") has approved a proposed rule change (attached) filed by the National Association of Securities Dealers, Inc. ("NASD"), through its wholly owned subsidiary, the Nasdaq Stock Market, Inc. ("Nasdaq"), relating to firm quotation requirements.¹ In particular, the proposed rule change amends NASD rules to require a market maker to disseminate an inferior quote whenever the market maker fails to execute the full size of an incoming order that is at least one normal unit of trading greater than the market maker's published quotation size. According to Nasdaq, the amendments are designed to correct the inefficiencies that arise when a market participant is required to use multiple small orders to accomplish the objectives of a single large order. For example, a market participant may be required to enter multiple small orders when a market maker enters a minimum quotation size, receives an order larger than its quoted size, fills the order only up to its quoted size, and remains at the inside quote prepared to accept another order at the minimum quotation size. Ari Burstein Assistant Counsel
Attachment

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