INVESTMENT COMPANY INSTITUTE

MEMO# 14581

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NASDAQ PROPOSED RULE CHANGE RELATING TO THE ELIMINATION OF INTERVAL DELAYS IN THE SUPERMONTAGE SYSTEM

[14581] March 26, 2002 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 11-02 RE: NASDAQ PROPOSED RULE CHANGE RELATING TO THE ELIMINATION OF INTERVAL DELAYS IN THE SUPERMONTAGE SYSTEM The Securities and Exchange Commission has published for comment a proposed rule change filed by the Nasdaq Stock Market (a copy of which is attached) to eliminate the interval delays between executions at different price levels in the SuperMontage system.1 SuperMontage currently provides for immediate executions of "Non-Directed Orders" across the best inside price and the next two best trading increments away from that inside price. If a Non-Directed Order cannot be executed in full against the combined displayed and reserve size amounts at those three increments, the system will pause five seconds before moving to price increments further away. The Release states that in response to concerns raised by market participants about the increased potential for the queuing of orders caused by system delays between executions, Nasdaq has determined to eliminate all interval delays in the SuperMontage system. Nasdaq believes this will result in improved price discovery and a smoother functioning market, as well as make the operation of this aspect of SuperMontage consistent with Nasdaq's current SuperSOES automatic execution functionality. Comments on the proposed rule change are due to the SEC no later than April 9, 2002. If you have any questions regarding the proposed rule change, please contact the undersigned by phone at (202) 371-5408, by fax at (202) 326-5839, or by e-mail at aburstein@ici.org. Ari Burstein Associate Counsel Attachment 1 Securities Exchange Act Release No. 45554 (March 13, 2002), 67 FR 12631 (March 19, 2002) ("Release"). 2 Attachment (in .pdf format)