

MEMO# 10664

January 21, 1999

DRAFT INSTITUTE LETTER ON PROPOSAL TO ESTABLISH THE NASDAQ APPLICATION OF THE OPTIMARK SYSTEM

1 See Memorandum to Equity Markets Advisory Committee No. 1-99, dated January 6, 1999. [10664] VIA FAX January 21, 1999 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 2-99 RE: DRAFT INSTITUTE LETTER ON PROPOSAL TO ESTABLISH THE NASDAQ APPLICATION OF THE OPTIMARK SYSTEM

_____ As we previously informed you, on December 28, the Securities and Exchange Commission ("SEC") published for comment a proposed rule change filed by the National Association of Securities Dealers ("NASD") to establish the Nasdaq Application, a new electronic screen-based trading system based on the information processing technology provided by OptiMark.¹ The Institute has prepared the attached draft comment letter to the SEC supporting the proposed rule change. In particular, the letter states that the Nasdaq Application would increase transparency and facilitate best execution in securities traded on Nasdaq. The letter also discusses how the Nasdaq Application would increase liquidity, reduce trading costs, and increase the efficiency of the Nasdaq market overall. If you have any comments on the Institute's draft letter, please contact the undersigned by phone at (202) 371-5408, by fax at (202) 326-5839, or by e-mail at aburstein@ici.org by Monday, January 25. Ari Burstein Assistant Counsel Attachment