MEMO# 13621

June 11, 2001

NASDAQ PROPOSED RULE CHANGE RELATING TO THE ELIMINATION OF THE INTERVAL DELAY BETWEEN EXECUTIONS

[13621] June 11, 2001 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 17-01 RE: NASDAQ PROPOSED RULE CHANGE RELATING TO THE ELIMINATION OF THE INTERVAL DELAY BETWEEN EXECUTIONS Nasdaq has filed with the Securities and Exchange Commission a proposed rule change (a copy of which is attached) that would, among other things, eliminate the interval delay between executions against the same market maker at the same price level in the Nasdaq National Market Execution System (“NNMS”).1 Currently, the rules governing the Nasdaq Small Order Execution System establish a delay of 17 seconds (15 seconds for quote management and two seconds for system processing) between executions against the same market maker in the same security at the same price level. Nasdaq originally anticipated that with the launch of SuperSOES this delay would be reduced to five seconds (plus two seconds system processing time) for the majority of securities. However, after Nasdaq market participants raised concerns that significant order flow could potentially produce queuing within the system, Nasdaq filed proposals with the SEC to reduce the interval delay between executions in Nasdaq 100 securities to two seconds and reduce the interval delay between round-lot executions for the first day of trading of all SuperSOES-eligible initial public offerings and secondary offerings to zero seconds (plus system processing time). Nasdaq states that it has now determined that it is technically feasible to reduce the interval delay to zero seconds (plus system processing time) for all transactions on SuperSOES. A market maker therefore would be available for executions as quickly as the system could transmit instructions between the execution and quote-update engines. The proposed rule change therefore would provide that market makers will be required to execute orders against their displayed quotes whenever the SuperSOES system delivers such orders. If you have any questions regarding the proposal, 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. 44365 (May 29, 2001), 66 FR 30252 (June 6, 2001). Comments on this proposal are due to the SEC no later than June 26, 2001. 2Attachment (in .pdf format)