

MEMO# 10996

May 20, 1999

NASD ISSUES SPECIAL NOTICE TO MEMBERS REGARDING DECIMALIZATION

[10996] May 20, 1999 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 16-99 RE: NASD ISSUES SPECIAL NOTICE TO MEMBERS REGARDING DECIMALIZATION

The National Association of Securities Dealers ("NASD") has issued a Special Notice to Members (attached) discussing the NASD's preparations to move from fractional pricing to decimal pricing. The NASD intends to move to decimal pricing by June 30, 2000, in order to meet the time frame established by the Securities and Exchange Commission. The Special Notice to Members outlines the securities industry's efforts to prepare for trading in decimals, including background information, benefits of decimal pricing, the industry time frame, and steps firms will need to take to prepare for the conversion. Among the benefits of decimalization noted in the Special Notice are: making pricing easier to understand for investors, which in turn could bring more investors to the marketplace; creating an increased savings potential for investors if decimal pricing leads to smaller price increments and narrower spreads; and making U.S. markets more compatible with non-U.S. markets that already trade in decimals. In addition, the Special Notice discusses some of the issues surrounding decimalization including Minimum Price Variation (MPV), quoting and trading volume, new emerging trading strategies, and capacity issues. Ari Burstein Assistant Counsel Attachment

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