

MEMO# 11832

April 24, 2000

INSTITUTE COMMENT LETTER ON AMENDED NASDAQ ORDER DISPLAY FACILITY PROPOSAL

[11832] April 24, 2000 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 28-00 SEC RULES COMMITTEE No. 63-00 RE: INSTITUTE COMMENT LETTER ON AMENDED NASDAQ ORDER DISPLAY FACILITY PROPOSAL

The Institute has filed a comment letter (a copy of which is attached) with the Securities and Exchange Commission in connection with a proposed rule change filed by the NASD to amend certain aspects of its previous proposal to establish the Nasdaq Order Display Facility and to modify the Nasdaq trading platform. In particular, in response to comments on the original proposal, Nasdaq is proposing to amend, among other things, (1) the five-second interval delay between price levels and (2) the order execution algorithm as it relates to ECNs, UTP Exchanges, and displayed size refreshed from reserve. The comment letter states that the Institute strongly supports modifications to Nasdaq's quotation montage and trading platform. The letter, however, reiterates our concerns regarding the level of transparency in the proposed Order Display Facility as well as the internalization feature of the proposed system. The letter states that the Institute believes these aspects of the proposal require further examination before the SEC approves the proposed rule change. In addition, the letter states that the Institute is pleased that Nasdaq has amended its proposal to provide for a more limited interval delay between price levels to address concerns raised by the Institute and other commenters regarding the proposed five-second interval delay. The letter also states, however, that because of the brevity of the proposal's comment period, we are not able, at this point, to comment definitively on whether this change sufficiently addresses our concerns. Finally, the letter states that we question the change to size priority from time priority to determine the order in which "reserve" orders are filled as this could discourage market participants from displaying orders greater than 1,000 shares. Ari Burstein Assistant Counsel Attachment