

MEMO# 10928

April 22, 1999

SEC MODIFIES COMPLIANCE DATES FOR RULE 301(B)(3) UNDER THE ALTERNATIVE TRADING SYSTEMS RULES

1 See Memorandum to Equity Markets Advisory Committee, No. 1-98, dated December 28, 1998. 2 For purposes of Regulation ATS, the term "covered security" includes all exchange-listed, Nasdaq NM securities, and Nasdaq SmallCap securities, other than debt and convertible securities. 3 Schedules A, B and C can be found on the SEC's web site at www.sec.gov/rules/final/41297apx.txt [10928] April 22, 1999 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 10-99 RE: SEC MODIFIES COMPLIANCE DATES FOR RULE 301(b)(3) UNDER THE ALTERNATIVE TRADING SYSTEMS RULES

As you know, on December 8, 1998, the Securities and Exchange Commission ("SEC") adopted new rules and rule amendments relating to the regulation of exchanges and alternative trading systems ("ATSs").¹ In particular, new Securities Exchange Act Rule 301(b)(3) requires an ATS to provide to a national securities exchange or national securities association, for inclusion in the public quotation system, the prices and sizes of its best priced buy and sell orders that are displayed to more than one person, in each "covered security"² in which the ATS represents 5 percent or more of the total trading volume. The SEC stated in the adopting release that, prior to April 21, 1999, it would publish a list of those securities with respect to which ATSs must comply with Rule 301(b)(3) on April 21, 1999 and those securities with respect to which ATSs must comply with Rule 301(b)(3) on August 30, 1999. On April 16, the SEC issued a technical amendment (attached) modifying the compliance dates for Rule 301(b)(3). In the release accompanying the amendment, the SEC stated that one major ATS had indicated that it would be unable to comply with the requirements of Rule 301(b)(3) by the original compliance dates without putting the operation of its system at serious risk of failure. The SEC therefore determined that it was necessary to adjust the compliance dates as follows: ATSs now must comply with Rule 301(b)(3) with respect to the 50 Nasdaq securities listed in Schedule A by August 23, 1999; with respect to the 50 percent of Nasdaq securities listed on Schedules A and B by September 28, 1999; with respect to the 75 percent of Nasdaq securities listed on Schedules A, B and C by April 25, 2000; and with respect to all Nasdaq securities by June 20, 2000. 3 Ari Burstein Assistant Counsel Attachment