

MEMO# 16106

May 22, 2003

PETITION FOR RULEMAKING RELATING TO TRADING-THROUGH AND LOCKING OR CROSSING OTC QUOTES

[16106] May 22, 2003 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 10-03 RE: PETITION FOR RULEMAKING RELATING TO TRADING-THROUGH AND LOCKING OR CROSSING OTC QUOTES NexTrade Holdings has filed a rulemaking petition with the SEC¹ relating to the practices of trading-through and locking or crossing OTC quotes across separate market centers. Specifically, NexTrade requests that the SEC adopt new Rule 11Ac1-8 under the Securities Exchange Act of 1934 which would eliminate the practice of exchanges, market participants, ECNs and ATSS trading-through or locking and crossing previous OTC limit orders displayed in accordance with SEC Rule 11Ac1-4. NexTrade also proposes an amendment to Rule 11Ac1-4 to eliminate the economic incentive of firms to lock or cross market centers. NexTrade states that the proposed rule is similar to the existing rules of NASD members for the listed market but would eliminate the problems associated with the listed version of the trade-through rules, particularly the disparity in processing speed between market centers. Ari Burstein Associate Counsel 1 NexTrade's petition for rulemaking can be found on the SEC's website at <http://www.sec.gov/rules/petitions/petn4-480.htm>.

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