

NASDAQ SYSTEMS AND PROGRAMS

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6100. AUTOMATED CONFIRMATION TRANSACTION SERVICE (ACT)

6110. Definitions

(a) The term "ACT Eligible Security" shall mean all Nasdaq National Market and Nasdaq SmallCap securities, all Consolidated Quotation Service (CQS) securities traded pursuant to unlisted trading privileges, all Bulletin Board securities, and all Direct Participation Programs as defined in Rule 6910.

(b) The term "ACT Market Maker" shall mean a member of Nasdaq that is registered as a Nasdaq or CQS Market Maker and is a member of a registered clearing agency for clearing or comparison purposes or has a clearing arrangement with such a member.

(c) The term "ACT Order Entry Firm" shall mean a member of Nasdaq that is a firm that executes orders but does not act as a market maker in the instant transaction and is a member of a registered clearing agency for clearing or comparison purposes or has a clearing arrangement with such a member.

(d) The term "Automated Confirmation Transaction Service" or "ACT" shall mean the automated system owned and operated by Nasdaq which compares trade information entered by ACT participants and submits "locked-in" trades to National Securities Clearing Corporation (NSCC) for clearance and settlement; transmits reports of the transactions automatically to the National Trade Reporting System, if required, for dissemination to the public and the industry; and provides participants with monitoring and risk management capabilities to facilitate participation in a "locked-in" trading environment.

(e) The term "Browse" shall mean the function of ACT that permits a Participant to review (or query) for trades in the system identifying the Participant as a party to the transaction, subject to the specific uses contained in the ACT Users Guide.

(f) The term "Clearing Broker/Dealer" or "Clearing Broker" shall mean the member firm that has been identified in the ACT system as principal for clearing and settling a trade, whether for its own account or for a correspondent firm.

(g) The term "Correspondent Executing Broker/Dealer" or "Correspondent Executing Broker" shall mean the member firm that has been identified in the ACT system as having a correspondent relationship with a clearing firm whereby it executes trades and the clearing function is the responsibility of the clearing firm.

(h) The term "Gross Dollar Thresholds" in the risk management application of ACT shall mean the daily dollar amounts for purchases and sales that a clearing broker establishes in the ACT system for each correspondent executing broker that may be raised or lowered on an inter-day or intra-day basis. If the value of a correspondent's trades, including those aggregated from transactions in all automated systems owned and operated by Nasdaq or its subsidiaries, equals or exceeds the gross dollar thresholds, the

system will alert the clearing broker.

(i) The term "Introducing Broker/Dealer" or "introducing broker" shall mean the member firm that has been identified in the ACT system as a party to the transaction, but does not execute or clear trades.

(j) The term "Participant" shall mean any member of Nasdaq in good standing that uses the ACT system as a Market Maker registered as a Nasdaq or CQS Market Maker according to the requirements of Rule 4611 or Rule 6320, a Bulletin Board market maker (as defined in Rule 6551), an ECN registered in accordance with Rule 4623, an Order Entry Firm, or a clearing broker/dealer, correspondent executing broker/dealer, or introducing broker/dealer.

(k) The term "Parties to the Transaction" shall mean the executing brokers, introducing brokers and clearing brokers, if any.

(l) The term "Pre-alert" shall mean the alert notifying the correspondent executing broker and the clearing broker that the correspondent executing broker has equaled or exceeded 70% of the purchase or sale gross dollar amounts. Nasdaq reserves the right to modify the percentage of the Pre-alert as necessary and upon prior notification to the ACT Participants.

(m) The term "Reportable ACT Transaction" shall mean those transactions in an ACT eligible security that are required to be submitted to Nasdaq pursuant to the Rule 4630, 6400, and 6550 Series. The term shall also include transactions in ACT eligible securities that are for less than one round lot, and those transactions that are to be compared and locked-in for settlement.

(n) The term "Reporting Party" shall mean the ACT Participant that is required to input the trade information, according to the requirements of the trade report input rules applicable to ACT contained in Rule 6130.

(o) The term "Single Trade Limit" shall mean the dollar amount established by Nasdaq for a single trade that enables an ACT clearing firm to review the trade before it is obligated to clear the trade. When a correspondent executing broker negotiates a trade that equals or exceeds the Single Trade Limit, its clearing broker shall have a period of fifteen (15) minutes to review and agree or decline to act as principal for clearing that trade. Initially, the Single Trade Limit shall be set at \$1,000,000. Nasdaq reserves the right to modify the dollar amount of the Single Trade Limit or the time frame for clearing broker review as necessary and upon prior notification to the ACT Participants.

(p) The terms "Participant," "ACT Order Entry Firm," "correspondent executing broker/dealer," "correspondent executing broker," "introducing broker/dealer," "introducing broker," "clearing broker/dealer," and "clearing broker" shall also include, where appropriate, the Non-Member Clearing Organizations listed in Rule 6120(a)(5) below and their qualifying members.

(q) The term “ACT ECN” shall mean a member of Nasdaq that is an electronic communications network (“ECN”) that elects to display orders in Nasdaq pursuant to Rule 4623 and is a member of a registered clearing agency for clearing or comparison purposes or has a clearing arrangement with such a member. This term shall also include a Nasdaq member that is an alternative trading system (“ATS”) that displays orders in Nasdaq pursuant to Rule 4623 and is a member of a registered clearing agency for clearing or comparison purposes or has a clearing arrangement with such a member.

6120. Participation in ACT

(a) Mandatory Participation for Clearing Agency Members

(1) Participation in ACT is mandatory for all brokers that are members of a clearing agency registered with the Commission pursuant to Section 17A of the Act, and for all brokers that have a clearing arrangement with such a broker.

(2) Participation in ACT as a Market Maker shall be conditioned upon the ACT Market Maker's initial and continuing compliance with the following requirements:

(A) execution of, and continuing compliance with, an ACT Participant Application Agreement;

(B) membership in, or maintenance of, an effective clearing arrangement with a member of a clearing agency registered pursuant to the Act;

(C) registration as a Market Maker for Nasdaq or CQS securities pursuant to Rule 4611 or Rule 6320, if applicable, and compliance with all applicable rules and operating procedures of Nasdaq and the Commission;

(D) maintenance of the physical security of the equipment located on the premises of the ACT Market Maker to prevent unauthorized entry of information into ACT; and

(E) acceptance and settlement of each trade that ACT identifies as having been effected by such ACT Market Maker, or if settlement is to be made through a clearing member, guarantee or the acceptance and settlement of each ACT identified trade by the clearing member on the regularly scheduled settlement date.

(3) Participation in ACT as an Order Entry Firm shall be conditioned upon the Order Entry Firm's initial and continuing compliance with the following requirements:

(A) execution of, and continuing compliance with, an ACT Participant Application Agreement;

(B) membership in, or maintenance of, an effective clearing arrangement with a member of a clearing agency registered pursuant to the Act;

(C) compliance with all applicable rules and operating procedures of Nasdaq and the Commission;

(D) maintenance of the physical security of the equipment located on the premises of the ACT Order Entry Firm to prevent the unauthorized entry of information into ACT; and

(E) acceptance and settlement of each trade that ACT identifies as having been effected by such ACT Order Entry Firm, or if settlement is to be made through a clearing member, guarantee of the acceptance and settlement of each ACT identified trade by the clearing member on the regularly scheduled settlement date.

(4) Participation in ACT as a Clearing Broker shall be conditioned upon the Clearing Broker's initial and continuing compliance with the following requirements:

(A) execution of, and continuing compliance with, an ACT Participant Application Agreement;

(B) membership in a clearing agency registered pursuant to the Act;

(C) compliance with all applicable rules and operating procedures of Nasdaq and the Commission;

(D) maintenance of the physical security of the equipment located on the premises of the ACT Clearing Broker to prevent the unauthorized entry of information into ACT; and

(E) acceptance and settlement of each trade that ACT identifies as having been effected by itself or any of its correspondents on the regularly scheduled settlement date.

(5) (A) Upon compliance with the conditions specified in subparagraph (B) below, access to and participation in ACT shall be granted to the following Non-Member Clearing Organizations:

(i) West Canada Clearing Corporation; and

(ii) The Canadian Depository for Securities.

(B) Non-Member Clearing Organization access to and participation in ACT shall be conditioned upon the Organization's initial and continuing compliance with the following requirements:

(i) execution of and continuing compliance with a Non-Member Clearing Organization ACT Participation Application Agreement;

(ii) a Non-Member Clearing Organization shall only have access to ACT to operate as a service bureau for its members functioning as Order Entry Firms, Correspondent Executing Broker/Dealers, Correspondent brokers, Clearing Broker/Dealers, or Clearing Brokers, as those terms are defined in Rule 6110;

(iii) registration as a clearing agency pursuant to the Act, membership in a clearing agency registered pursuant to the Act, or maintenance of an effective clearing arrangement with a registered clearing agency;

(iv) compliance with all applicable rules and operating procedures of Nasdaq and the Commission;

(v) maintenance of the physical security of the equipment located on the premises of the Non-Member Clearing Organization to prevent the unauthorized entry of information into ACT; and

(vi) a Non-Member Clearing Organization may only participate in ACT on behalf of its members who :

a. have executed a Non-Member ACT Access Participant Application Agreement; and

b. are in compliance with such agreement.

(C) A Non-Member Clearing Organization may permit its members functioning as Order Entry Firms to have direct access to ACT, provided the member of the Non-Member Clearing Organization complies with the following requirements:

(i) execution of a Non-Member ACT Participant Application Agreement;

(ii) membership in a Non-Member Clearing Organization listed in paragraph (a)(5)(A) above; and

(iii) compliance with paragraph (a)(3)(C) through (E) above.

(D) A Non-Member Clearing Organization may permit its members functioning as Clearing Brokers to have direct access to ACT, provided the member of the Non-Member Clearing Organization complies with the following requirements:

(i) execution of a Non-Member ACT Participant Application Agreement;

(ii) membership in a Non-Member Clearing Organization listed in paragraph (a)(5)(A) above; and

(iii) compliance with paragraph (a)(4)(C) through (E) above.

(3) Participation in ACT as an ECN shall be conditioned upon the ECN's initial and continuing compliance with the following requirements:

(A) execution of, and continuing compliance with, an ACT Participant Application Agreement;

(B) membership in, or maintenance of an effective clearing arrangement with a member of, a clearing agency registered pursuant to the Act;

(C) compliance with all applicable rules and operating procedures of Nasdaq and the Commission;

(D) maintenance of the physical security of the equipment located on the premises of the ECN to prevent the unauthorized entry of information into ACT; and

(E) acceptance and settlement of each trade that ACT identifies as having been effected by such ACT ECN, or if settlement is to be made through a clearing member, guarantee of the acceptance and settlement of each ACT identified trade by the clearing member on the regularly scheduled settlement date.

(7) Each ACT Participant shall be obligated to inform Nasdaq of non-compliance with any of the participation requirements set forth above.

(b) Participant Obligations in ACT

(1) Access to ACT

Upon execution and receipt by Nasdaq of the ACT Participant application agreement, an ACT Participant may commence input and validation of trade information in ACT eligible securities. ACT Participants may access the service via Nasdaq terminals or Workstations or through computer interface during the hours of operation specified in the ACT Users Guide. Prior to such input, all ACT Participants, including those that have trade report information submitted to Nasdaq by any third party, must obtain from Nasdaq a unique identifying Market Participant Symbol ("MMID" or "MPID"), and use that identifier for trade reporting and audit trail purposes.

(2) Market Maker Obligations

(A) ACT Market Makers shall commence participation in ACT by initially contacting the ACT Operation Center to verify authorization for submitting trade data to the ACT system for ACT eligible securities.

(B) An ACT Market Maker that is a self-clearing firm shall be obligated to accept and clear each trade that the ACT system identifies as having been effected by that Market Maker.

(C) An ACT Market Maker that is an introducing broker or a correspondent executing broker shall identify its clearing broker when it becomes an ACT participant and notify the ACT Operation Center if its clearing broker is to be changed; this will necessitate execution of a revised ACT Participant Application Agreement.

(D) If at any time an ACT Market Maker fails to maintain a clearing arrangement, it shall be removed from the ACT system, and be precluded from participation as a Market Maker in Nasdaq National Market and CQS securities pursuant to the requirements of the Rule 4700 and 6300 Series until such time as a clearing arrangement is reestablished and notice of such arrangement, with an amended ACT Participant Application Agreement, is filed with Nasdaq. If, however, the Nasdaq finds that the ACT Market Maker's failure to maintain a clearing arrangement is voluntary, the withdrawal of quotations will be considered voluntary and unexcused pursuant to Rule 4619 and the Rule 4700 and 4750 Series.

(3) Order Entry Firm Obligations

(A) ACT Order Entry Firms shall commence participation in ACT by initially contacting the ACT Operation Center to verify authorization for submitting trade data to the ACT system for ACT eligible securities.

(B) An ACT Order Entry Firm that is a self-clearing firm shall be obligated to accept and clear each trade that the ACT system identifies as having been effected by the Order Entry Firm.

(C) An ACT Order Entry Firm that is an introducing broker or a correspondent executing broker shall identify its clearing broker when it becomes an ACT Participant and notify the ACT Operation Center if its clearing broker is to be changed; this change will necessitate execution of a revised ACT Participant Application Agreement.

(D) If at any time an ACT Order Entry Firm fails to maintain a clearing arrangement, it shall be removed from the ACT system until such time as a clearing arrangement is reestablished, and notice of such arrangement, with an amended ACT Participant Application Agreement, is filed with Nasdaq .

(4) Clearing Broker Obligations

(A) ACT clearing brokers shall be obligated to accept and clear as a party to the transaction each trade that the system identifies as having been effected by itself or any of its correspondent executing brokers. Clearing brokers may cease to act as principal for a correspondent executing broker at any time provided that notification has been given to, received and acknowledged by the ACT Operation Center and affirmative action has been completed by the Center to remove the clearing broker from ACT for that correspondent executing broker. The clearing broker's obligation to accept and clear trades for its correspondents shall not cease prior to the completion of all of the steps detailed in this subparagraph (4).

(B) ACT clearing brokers may utilize the ACT Risk Management functions upon execution of the ACT Participant Risk Management Agreement. Clearing brokers that utilize the ACT Risk Management functions may establish for each correspondent executing broker daily Gross Dollar Thresholds and may raise or lower the thresholds on an inter-day or intra-day basis. ACT clearing brokers will receive a system alert when a correspondent executing broker equals or exceeds its gross dollar thresholds and will also receive a system Pre-alert when a correspondent executing broker equals or exceeds 70% of the daily thresholds.

(C) For trades effected by a correspondent executing broker that equal or exceed the ACT system's Single Trade Limit of \$1,000,000, clearing brokers have fifteen (15) minutes from the time of trade report

input to ACT to review the trade and accept or decline to act as principal to the trade. If the clearing broker does not affirmatively accept or decline the trade report within fifteen (15) minutes, the trade report will be subject to normal ACT processing and the clearing broker will be obligated to act as principal for the trade.

(5) ECN Obligations

(A) ACT ECNs shall commence participation in ACT by initially contacting the ACT Operation Center to verify authorization for submitting trade data to the ACT system for ACT eligible securities.

(B) An ACT ECN that is a self-clearing firm shall be obligated to accept and clear each trade that the ACT system identifies as having been effected by the ECN.

(C) An ACT ECN that is an introducing broker or a correspondent executing broker shall identify its clearing broker when it becomes an ACT Participant and notify the ACT Operation Center if its clearing broker is to be changed; this change will necessitate execution of a revised ACT Participant Application Agreement.

(D) If at any time an ACT ECN fails to maintain a clearing arrangement, it shall be removed from the ACT system until such time as a clearing arrangement is reestablished, and notice of such arrangement, with an amended ACT Participant Application Agreement, is filed with Nasdaq .

Selected NASD Notices to Members: Notice to Members 98-82.

6130. Trade Report Input

(a) Reportable ACT Transactions

All transactions in eligible securities that must be reported to Nasdaq pursuant to the Rule 4630, 6400, and 6550 Series shall be reported to ACT, including executions of less than one round lot if those executions are to be compared and locked-in. All other transactions that are to be compared and locked-in for settlement must also be reported to ACT. All trades that are reportable transactions will be processed through the National Trade Reporting System; however, only those trades that are subject to regular way settlement and are not already locked-in trades will be compared and locked-in through ACT. Trades that are reported as other than regular way settlement (i.e., Cash, Next-Day, Seller's Option) will not be compared in ACT or reported to NSCC. All transactions in Direct Participation Program securities shall be reported to ACT pursuant to the Rule 6900 Series as set forth therein.

(b) When and How Trade Reports are Submitted to ACT

(1) ACT Participants shall transmit trade reports to the system for transactions in ACT Eligible Securities within 90 seconds after execution, or shall utilize the Browse function in ACT to accept or decline trades within twenty (20) minutes after execution, according to the requirements of paragraph (c) of this Rule.

(2) A member must also accept or decline, within twenty (20) minutes after execution, transactions for which:

(A) the member is a contraparty to a transaction executed with an NASD member otherwise than on an exchange;

(B) the NASD member is required, or has an election, pursuant to NASD rules to submit such transaction to a system provided by the NASD for comparing and reporting transactions; and

(C) the Nasdaq member has access to the system provided by the NASD.

(c) Which Party Inputs Trade Reports to ACT

Both parties executing a transaction shall, subject to the input requirements below, either input trade reports into the ACT system or utilize the Browse feature to accept or decline a trade within the applicable time-frames as specified in paragraph (b) of this Rule. Trade data input obligations are as follows:

(1) in transactions between a Market Maker and an Order Entry Firm, the Market Maker shall be required to submit a trade report to ACT;

(2) in transactions between two Market Makers, the member with the obligation to report pursuant to Rule 4633(c)(1) shall be required to submit a trade report to ACT;

(3) in transactions between two Order Entry Firms, if the Order Entry Firm with the obligation to report pursuant to Rule 4633(c)(3) determines to report the transaction to Nasdaq, that Order Entry Firm shall be required to submit a trade report to ACT;

(4) for transactions executed by or through the facilities of an ECN, the ECN shall be required to submit a trade report to ACT;

(5) for any transaction involving a member as described in paragraphs (7), (8), (10) and (11) of Rule 4633(c) for which the member has a trade reporting obligation or chooses to report a transaction to Nasdaq, the member shall be required to submit a trade report to ACT; and

(6) for transactions for less than one round lot, or any transaction to be compared and locked-in for settlement but not reported pursuant to the Rule 4630, 6400, and 6550 Series, members shall refer to paragraphs (1) through (5) above to determine which party must submit a transaction report to ACT.

(d) Trade Information To Be Input

Each ACT report shall contain the following information:

- (1) Security identification symbol of the eligible security (SECID);
- (2) Number of shares or bonds;
- (3) Unit price, excluding commissions, mark-ups or mark-downs;
- (4) Execution time for any transaction in Nasdaq or CQS securities not reported within 90 seconds of execution;
- (5) A symbol indicating whether the party submitting the trade report represents the Market Maker side, ECN side, or the Order Entry side;
- (6) A symbol indicating whether the transaction is a buy, sell, sell short, sell short exempt or cross;
- (7) A symbol indicating whether the trade is as principal, riskless principal, or agent;
- (8) Reporting side clearing broker (if other than normal clearing broker);
- (9) Reporting side executing broker as "give-up" (if any);
- (10) Contra side executing broker;
- (11) Contra side introducing broker in case of "give-up" trade;
- (12) Contra side clearing broker (if other than normal clearing broker).
- (13) For any transaction in an order for which a member has recording and reporting obligations under NASD Rules 6954 and 6955, the trade report must include:
 - (A) An order identifier, meeting such parameters as may be prescribed by the NASD, assigned to the order that uniquely identifies the order for the date it was received (see NASD Rule 6954(b)(1)).

(B) The time of the execution expressed in hours, minutes, and seconds. This information must be reported regardless of the period of time between execution of the trade and the ACT trade report. All times reported to the ACT system shall be in Eastern Time.

(e) Aggregation of Transaction Reports

Individual executions of orders in a security at the same price may be aggregated, for ACT reporting purposes, into a single report if the transactions are with the identical contra party; provided, however, that a reporting party may not withhold reporting a trade in anticipation of aggregating the transaction with other transactions.

Selected NASD Notices to Members: 98-82.

6140. ACT Processing

Locked-in trades may be determined in the ACT system by matching the trade information submitted by the reporting parties through one of the following methods:

(a) Trade by Trade Match

Both parties to the trade submit transaction data and the ACT system performs an on-line match;

(b) Trade Acceptance

The reporting party enters its version of the trade into the system and the contra party reviews the trade report and accepts or declines the trade. An acceptance results in a locked-in trade; a declined trade report is purged from the ACT system at the end of trade date processing;

(c) Aggregate Volume Match

A batch type comparison will be run at the end of trade date and will aggregate volume of previously entered uncomparing trade reports (if all other matching fields agree) in order to effect matching;

(d) T+N Trade Processing

T+N entries may be submitted until 5:15 p.m. each business day. At the end of daily matching, all declined trade entries will be purged from the ACT system. ACT will not purge any open trade (i.e. unmatched or unaccepted) at the end of its entry day, but will carry-over such trades to the next business day for continued comparison and reconciliation. ACT will automatically lock in and submit to NSCC as such any carried-over T to T+21 (calendar day) trade if it remains open as of 2:30 p.m. on the next business day. ACT will not automatically lock in T+22 (calendar day) or older open "as-of" trades that were carried-over from the previous business day; these trades will be purged by ACT at the end of the carry-over day if such trades remain open. Members

may re-submit these T+22 or older "as-of" trades into ACT on the next business day for continued comparison and reconciliation for up to one calendar year.

6150. ACT Risk Management Functions

The ACT system will provide the following risk management capabilities to clearing brokers that have executed an ACT Participant Risk Management Agreement:

(a) Trade File Scan

Clearing brokers will be able to scan the trading activities of their correspondent executing brokers through a Nasdaq terminal.

(b) Gross Dollar Threshold

Clearing brokers will be able to establish, on an inter-day or intra-day basis, gross dollar thresholds for purchases and sales for their correspondent executing brokers, and the ACT system will alert the clearing broker and its correspondent if the correspondent's trading activity equals or exceeds either threshold.

(c) Gross Dollar Threshold Pre-Alert

In addition to the gross dollar threshold alert, the ACT system will also issue a Pre-alert to the clearing broker and its correspondent when the correspondent's trading activity equals or exceeds 70% of either gross dollar threshold.

(d) End of Day Recap

Clearing brokers that access ACT through computer interface will be able to receive an end of day recap of all trade detail information of their correspondents.

(e) On-line Review

Clearing brokers that access ACT through computer interface will be able to receive intra-day activity of their correspondents as it is reported.

(f) Single Trade Limit

Clearing brokers will have 15 minutes from trade report input to ACT to review any single trade executed by their correspondent executing brokers that equals or exceeds \$1,000,000 in order to decide to act as principal for the trade or to decline to act as principal. If, however, the clearing firm does not affirmatively accept or decline the trade, at the end of 15 minutes the system will subject the trade to normal ACT processing and the clearing firm will be obligated to act as principal to clear the trade.

(g) Super Cap

The Super Cap is set at two times the gross dollar thresholds for purchases and

sales, but in no event less than \$1,000,000. When a correspondent's super cap is exceeded, notice will be furnished to ACT participants and no trade in excess of \$200,000 will be accepted for ACT processing unless the clearing broker accepts the trade within 15 minutes of execution.

6160. Obligation to Honor Trades

If an ACT Participant is reported by ACT as a party to a trade that has been treated as locked-in and sent to NSCC, notwithstanding any other agreement to the contrary, that party shall be obligated to act as a principal to the trade and shall honor such trade on the scheduled settlement date.

6170. Audit Trail Requirements

The data elements specified in Rule 6130(d) are critical to Nasdaq's compilation of a transaction audit trail for regulatory purposes. As such, all member firms utilizing the ACT Service have an ongoing obligation to input 6130(d) information accurately and completely.

6180. Violation of ACT Rules

Failure of an ACT Participant or person associated with an ACT Participant to comply with any of the rules or requirements of ACT may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2110.

6190. Termination of ACT Service

Nasdaq may, upon notice, terminate ACT service as to a Participant in the event that an ACT Participant fails to abide by any of the rules or operating procedures of the ACT service or Nasdaq, or fails to honor contractual agreements entered into with Nasdaq or its subsidiaries, or fails to pay promptly for services rendered by the ACT Service.

6200. [RESERVED]

6300. CONSOLIDATED QUOTATIONS SERVICE (CQS)

6310. [Reserved]

6320. Registration as a CQS Market Maker

(a) Quotations and quotation sizes in reported securities may be entered into the Consolidated Quotations Service (CQS) through Nasdaq only by a Nasdaq member registered with it as a CQS market maker.

(b) A Nasdaq member, including an operator of an ECN/ATS as defined in Rule

5210(e), seeking registration as a CQS market maker shall file an application with Nasdaq. The application shall certify the member's good standing with Nasdaq and shall demonstrate compliance with the net capital and other financial responsibility provisions of the Act. A member's registration as a CQS market maker shall become effective upon receipt by the member of notice of approval of registration by Nasdaq.

(c) A CQS market maker registered in a reported security may become registered in additional reported securities by entering a registration request via a Nasdaq terminal. Registration shall become effective at the time the registration request is entered.

(d) A Nasdaq member that becomes registered as a CQS market maker in an issue shall enter quotations in the issue on the effective date of the issue's authorization. If quotations are not entered on the effective date of authorization and the CQS market maker remains inactive in the issue for five (5) business days, the CQS market maker's registration in the issue will be terminated.

(e) All CQS market makers registered in reported securities shall be registered as market makers in the Computer Assisted Execution System (CAES); all CQS market makers registered in reported securities that are eligible for inclusion in the Intermarket Trading System/Computer Assisted Execution System (ITS/CAES) shall be registered as market makers in ITS/CAES and shall be subject to the Rule 5200 Series.

6330. Obligations of CQS Market Makers

(a) Pursuant to SEC Rule 11Ac1-1, a CQS market maker's quotations in reported securities are required to be firm for the size displayed or, if no size is displayed, for a normal unit of trading. If a market maker displays quotations in a reported security in both another national securities exchange and Nasdaq's CQS System, the market maker shall maintain identical quotations in each system.

(b) A CQS market maker's quotation must be at least one normal unit of trading.

(c) A CQS market maker shall be obligated to have available in close proximity to the Nasdaq terminal at which it makes a market in a CQS security a quotation service that disseminates the bid price and offer price then being furnished by or on behalf of other national securities exchanges and CQS market makers trading and quoting that CQS security.

(d) Computer-Generated Quotations

(1) General Prohibition — Except as provided below, this rule prohibits the automatic updating or tracking of inside quotations in CQS by computer-generated quote systems. This ban is necessary to offset the negative impact on the capacity and operation of Nasdaq systems regarding certain systems that track changes to the inside quotation and automatically react by generating another

quote to keep the market maker's quote away from the best market, without any cognizable human intervention.

(2) Exceptions to the General Prohibition — Automated updating of quotations is permitted when:

(A) the update is in response to an execution in the security by that firm (such as execution of an order that partially fills a market maker's quotation size);

(B) it requires a physical, cognizable entry (such as a manual entry to the market maker's internal system which then automatically forwards the update to a Nasdaq system);

(C) the update is to reflect the receipt, execution, or cancellation of a customer limit order;

(D) it is used to expose a customer's market or marketable limit order for price improvement opportunities; or

(E) it is used to equal or improve either or both sides of the national best bid or offer ("NBBO"), or add size to the NBBO.

(e) Minimum Price Variation for Decimal-based Quotations

(1) The minimum quotation increment for securities authorized for decimal pricing as part of the SEC-approved Decimals Implementation Plan for the Equities and Options Markets shall be \$0.01.

Cross Reference - IM-4613, Autoquote Policy

6340. Normal Business Hours

A CQS market maker shall be open for business as of 9:30 a.m. Eastern Time and shall close no earlier than 4:00 p.m. Eastern Time. A CQS market maker shall designate a closing time for each security between 4:00 p.m. and 6:30 p.m. Eastern Time. A designated closing time may only be on the hour or half hour. A CQS market maker whose market is closed may re-open its market as late as 6:30 p.m. Eastern Time upon appropriate notification to Nasdaq.

6350. Withdrawal of Quotations

(a) A CQS market maker that wishes to withdraw quotations in a reported security shall contact Nasdaq Market Operations to obtain excused withdrawal status prior to withdrawing its quotations.

(b) Excused withdrawal status based on illness, vacations or physical circumstances beyond the CQS market maker's control may be granted for up to five (5) business days, unless extended by Nasdaq Market Operations. Excused withdrawal status based on investment activity or advice of legal counsel, accompanied by a representation that the condition necessitating the withdrawal of quotations is not permanent in nature, may, upon written request, be granted for not more than sixty (60) days. The withdrawal of quotations because of pending news, a sudden influx of orders or price changes, or to effect transactions with competitors shall not normally constitute acceptable reasons for granting excused withdrawal status, unless Nasdaq has initiated a trading halt for ITS/CAES Market Makers in the security, pursuant to Rule 4120.

6360. Voluntary Termination of Registration

A CQS market maker may voluntarily terminate its registration in a reported security by withdrawing its quotations from Nasdaq. A CQS market maker that voluntarily terminates its registration in a reported security may not, however, re-register as a CQS market maker in that security for two (2) business days.

6370. Suspension and Termination of Quotations by Nasdaq Action

Nasdaq may, pursuant to the procedures set forth in Nasdaq's Code of Procedure as set forth in the Rule 9000 Series, suspend, condition, limit, prohibit or terminate a CQS market maker's authority to enter quotations in one or more reported securities for violations of the applicable requirements or prohibitions of the Rule 4000, 5000 and 6300 Rules Series.

Selected NASD Notices to Members: 94-81.

6400. REPORTING TRANSACTIONS IN SECURITIES TRADED PURSUANT TO UNLISTED TRADING PRIVILEGES

The provisions of this Rule 6400 Series shall apply to all transactions in securities listed on an exchange (other than Nasdaq) that are traded on Nasdaq pursuant to unlisted trading privileges, which are required to be reported to the Consolidated Tape ("eligible securities"), as provided in the Plan filed by Nasdaq pursuant to SEC Rule 11Aa3-1 under the Act ("Plan"). Rule 6420 shall not apply to transactions executed through CAES (Computer Assisted Execution System) or ITS/CAES (Intermarket Trading System/Computer Assisted Execution System) by market makers registered as CQS market makers.

Selected NASD Notices to Members: 94-81.

6410. Definitions

(a) Terms used herein shall have the meaning as defined in the By-Laws and Nasdaq Rules, SEC Rule 11Aa3-1 and the Plan, unless otherwise defined herein.

(b) "Automated Confirmation Transaction Service" or "ACT" is the service that, among other things, accommodates reporting and dissemination of last sale reports in eligible securities.

(c) "Consolidated Tape" means the consolidated transaction reporting system for the dissemination of last sale reports in eligible securities required to be reported pursuant to the Plan.

(d) "Eligible securities" means all common stocks, preferred stocks, long-term warrants, and rights entitling the holder to acquire an eligible security, listed or admitted to unlisted trading privileges on the American Stock Exchange or the New York Stock Exchange, and securities listed on regional stock exchanges, which substantially meet the original listing requirements of the New York Stock Exchange or the American Stock Exchange. A list of eligible securities listed on regional stock exchanges is contained in Rule 6450.

(e) "Initial Public Offering" -- a security is subject to an "initial public offering" if: (1) the offering of the security is registered under the Securities Act of 1933; and (2) the issuer of the security, immediately prior to filing the registration statement with respect to such offering, was not subject to the reporting requirements of Section 13 or 15(d) of the Act.

(f) "Non-Registered Reporting Member" means a member of Nasdaq that is not a Registered Reporting Member or a Registered Reporting ECN.

(g) "Transaction executed on Nasdaq" means (1) the transaction is facilitated or executed through CAES, or any other Nasdaq system that automatically produces trade reports; (2) a Registered Reporting Member is (a) a party to the transaction, or (b) the transaction is facilitated (*e.g.*, crossed or matched) by the Registered Reporting Member; or (3) a Registered Reporting ECN is (a) a party to the transaction, or (b) the transaction is facilitated (*e.g.*, crossed or matched). In addition, a Non-Registered Reporting Member may voluntarily report to Nasdaq any transaction executed otherwise than on a national securities exchange.

Notwithstanding the factors above, a transaction is not executed on Nasdaq and does not have to be reported to Nasdaq if another exchange or the OTC market is the destination, executing market and liquidity provider. An exchange other than Nasdaq is the destination, executing market and liquidity provider when an order is sent to another exchange and that exchange's liquidity provider executes the order. The OTC market is the destination, executing market and liquidity provider when an order is sent to an OTC Market Maker and that OTC market maker executes the order. Transactions executed on another exchange or the OTC market should be reported in accordance with the rules of the other exchange or the NASD, unless IM 6420-1 is applicable.

(h) "Registered Reporting Member" means a member of Nasdaq that is registered as a CQS market maker, pursuant to Rule 6320, in a particular eligible security. A member is a Registered Reporting Member in only those eligible securities for which it has registered as a CQS market maker. A member shall cease being a Registered Reporting Member in an eligible security when it has withdrawn or voluntarily terminated its quotations in that security or when its quotations have been suspended or terminated by action of Nasdaq.

(i) "Registered Reporting ECN" means a member of Nasdaq that is an electronic communications network ("ECN") that has chosen to register with Nasdaq and meets the terms of registration set forth in the Nasdaq-provided agreement linking ECNs to the CAES system. A member is a Registered Reporting ECN in only those eligible securities for which it is registered with Nasdaq. A member shall cease being a Registered Reporting ECN in an eligible security when it has withdrawn or voluntarily terminated its quotations in that security or when its quotations have been suspended or terminated by action of Nasdaq. The term "Registered Reporting ECN" shall also include Nasdaq members that are alternative trading systems ("ATS"), subject to SEC Regulation ATS, that comply with the requirements of this paragraph..

(f) "OTC Market Maker" shall have the meaning as defined in SEC Rule 11Ac1-1 under the Act and NASD Rule 4631.

6420. Transaction Reporting

(a) When and How Transactions are Reported

(1) Registered Reporting Members and Registered Reporting ECNs shall transmit through ACT, within 90 seconds after execution, last sale reports of transactions in eligible securities executed on Nasdaq during the trading hours of the Consolidated Tape. Transactions not reported within 90 seconds after execution shall be designated as late and such trade reports must include the time of execution. Registered Reporting Members and Registered Reporting ECNs shall also transmit through ACT, within 90 seconds after execution, last sale reports of transactions in eligible securities executed on Nasdaq between 4:00 p.m. and 6:30 p.m. Eastern Time; trades executed and reported after 4:00 p.m. Eastern Time shall be designated as ".T" trades to denote their execution outside normal market hours. Transactions not reported within 90 seconds after execution must include the time of execution on the trade report.

(2) (A) Non-Registered Reporting Members may voluntarily report to Nasdaq transactions in eligible securities executed otherwise than on a national securities exchange during the trading hours of the Consolidated Tape. Non-Registered Reporting Members that elect to report transactions to Nasdaq shall, within 90 seconds after execution, transmit last sale reports through ACT, the ACT Service Desk (if qualified pursuant to Rule 7010(i)), or by telephone to the Nasdaq Market Operations Department (if

ACT is unavailable due to system or transmission failure). Transactions not reported within 90 seconds after execution shall be designated as late and such trade reports must include the time of execution.

(B) Non-Registered Reporting Members may voluntarily report to Nasdaq transactions in eligible securities executed otherwise than on a national securities exchange between the hours of 4:00 p.m. and 6:30 p.m. Eastern Time. Non-Registered Reporting Members that elect to report transactions to Nasdaq shall, within 90 seconds after execution, transmit last sale reports through ACT, the ACT Service Desk (if qualified pursuant to Rule 7010(i), or by telephone to the Nasdaq Market Operations Department (if ACT is unavailable due to system or transmission failure). Transactions not reported within 90 seconds after execution must include the time of execution on the trade report. Transactions executed and reported after 4:00 p.m. Eastern Time shall be designated as “.T” trades to denote their execution outside normal market hours.

(3) (A) Registered Reporting Members and Registered Reporting ECNs shall report transactions in eligible securities executed on Nasdaq outside the hours of 9:30 a.m. and 6:30 p.m. Eastern Time as follows:

(i) by transmitting the individual trade reports through ACT on the next business day (T+1) between 8:00 a.m. and 6:30 p.m. Eastern Time;

(ii) by designating the entries "as/of" trades to denote their execution on a prior day; and

(iii) by including the time of execution.

The party responsible for reporting on T+1, the trade details to be reported, and the applicable procedures shall be governed, respectively by paragraphs (b), (c), and (d) below.

(B) Non-Registered Reporting Members may voluntarily report to Nasdaq transactions in eligible securities executed otherwise than on a national securities exchange outside the hours of 9:30 a.m. and 6:30 p.m. Eastern Time as follows:

(i) by transmitting the individual trade reports through ACT on the next business day (T+1) between 8:00 a.m. and 6:30 p.m. Eastern Time;

(ii) by designating the entries "as/of" trades to denote their execution on a prior day; and

(iii) by including the time of execution.

The party responsible for reporting on T+1, the trade details to be reported, and the applicable procedures shall be governed, respectively by paragraphs (b), (c), and (d) below.

(C) All members required (or that elect) to report transactions to Nasdaq shall report as soon as practicable to NASD Regulation's Market Regulation Department on Form T, last sale reports of transactions in eligible securities for which electronic submission into ACT is not possible (e.g., the ticker symbol for the security is no longer available, or a market participant identifier is no longer active, or ACT will not accept the date of execution because Nasdaq was closed on that date). Transactions that can be reported into ACT, whether on trade date or on a subsequent date on an "as of" basis (T+N), shall not be reported on Form T.

(4) All trade tickets for transactions in eligible securities shall be time-stamped at the time of execution.

(5) Transactions not reported within 90 seconds after execution shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of the Rule 2110.

(6) All members shall report transactions at prices based on average-weighting or other special pricing formulae unrelated to the current or closing price of the security on the primary market to Nasdaq using a special indicator, as designated by Nasdaq.

(b) Which Party Reports Transaction

(1) Transactions executed on an exchange are reported by the exchange and shall not be reported by members.

(2) In transactions between two Registered Reporting Members, only the member representing the sell side shall report.

(3) In transactions between a Registered Reporting Member and a Non-Registered Reporting Member, only the Registered Reporting Member shall report.

(4) In transactions between Non-Registered Reporting Members, only the member representing the sell side shall report.

- (5) For transactions between a Registered Reporting Member and a customer, the Registered Reporting Member shall report.
- (6) For transactions executed by or through the facilities of a Registered Reporting ECN, the Registered Reporting ECN shall report the transactions in accordance with IM 6420-1.
- (7) For transactions between a Non-Registered Reporting Member and a customer, the Non-Registered Reporting Member shall report the transaction. The transaction can be reported to either Nasdaq or the NASD, unless the transaction is facilitated or executed through a Nasdaq system that automatically produces trade reports. Transactions facilitated or executed through such Nasdaq systems will be reported to Nasdaq in accordance with Rule 6410(g).
- (8) For transactions between a Registered Reporting Member and an OTC Market Maker, the Registered Reporting Member shall report when it is providing the liquidity, as such principle is described in IM 6420-2.
- (9) For transactions between a Registered Reporting Member and any broker-dealer that is not a Nasdaq member and not an OTC Market Maker, the Registered Reporting Member shall report the transaction.
- (10) For transactions between a Non-Registered Reporting Member and an OTC Market Maker, the OTC Market Maker shall report the transaction in accordance with NASD rules, unless IM 6420-3 is applicable.
- (11) For transactions between a Non-Registered Reporting Member and a any broker-dealer that is not a Nasdaq member and is not an OTC Market Maker, but is a member of the NASD, the Non-Registered Reporting Member shall report when it is representing the sell side. The transaction can be reported to either Nasdaq or the NASD, unless the transaction is facilitated or executed through a Nasdaq system that automatically produces trade reports. Transactions facilitated or executed through such Nasdaq systems will be reported to Nasdaq in accordance with Rule 6410(g).
- (12) For transactions between a Non-Registered Reporting Member and any broker-dealer that is not a Nasdaq member and is not an NASD member, but is a member of an exchange(s) that does not trade eligible securities, the Non-Registered Reporting Member shall report the transaction. The transaction can be reported to either Nasdaq or the NASD, unless the transaction is facilitated or executed through a Nasdaq system that automatically produces trade reports. Transactions facilitated or executed through such Nasdaq systems will be reported to Nasdaq in accordance with Rule 6410(g).

(c) Information To Be Reported

Each last sale report shall contain the following information:

- (1) Stock symbol of the eligible security;
- (2) Number of shares (odd lots shall not be reported);
- (3) Price of the transaction as required by paragraph (d) below;
- (4) A symbol indicating whether the transaction is a buy, sell, or cross;
- (5) The time of execution if the trade is reported more than 90 seconds after execution.

(d) Procedures for Reporting Price and Volume

Members which are required to report pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in eligible securities in the following manner:

- (1) For agency transactions, report the number of shares and the price excluding the commission charged.

Example:

SELL as agent 100 shares at 40
less a commission of \$12.50;
REPORT 100 shares at 40.

- (2) For dual agency transactions, report the number of shares only once, and report the price excluding the commission charged.

Example:

SELL as agent 100 shares at 40
less a commission of \$12.50;
BUY as agent 100 shares at 40 plus
a commission of \$12.50;
REPORT 100 shares at 40.

- (3) (A) For principal transactions, except as provided below, report each purchase and sale transaction separately and report the number of shares and the price. For principal transactions which are executed at a price which includes a mark-up, mark-down or service charge, the price reported shall exclude the mark-up, mark-down or service charge.

Example:

BUY as principal 100 shares from another member at 40 (no mark-down included).
REPORT 100 shares at 40.

Example:

BUY as principal 100 shares from a customer at $39 \frac{3}{4}$, which includes a $\frac{1}{8}$ mark-down from prevailing market of $39 \frac{7}{8}$;
REPORT 100 shares at $39 \frac{7}{8}$.

Example

BUY as principal 100 shares from a customer at 39.75, which includes a \$0.10 mark-down from prevailing market at \$39.85;
REPORT 100 shares at 39.85.

Example:

SELL as principal 100 shares to a customer at $40 \frac{1}{8}$, which includes a $\frac{1}{8}$ mark-up from the prevailing market of 40;
REPORT 100 shares at 40.

Example

SELL as principal 100 shares to a customer at 40.10, which includes a .10 mark-up from the prevailing market of 40;
REPORT 100 shares at 40.

(B) Exception: A "riskless" principal transaction in which a member, after having received from a customer an order to buy, purchases the security as principal from another member or customer to satisfy the order to buy or, after having received from a customer an order to sell, sells the security as principal to another member or customer to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s) to ACT:

- (i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.

(ii) Regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, “riskless” portion of the transaction, either:

a. a clearing-only report with a capacity indicator of “riskless principal,” if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of “riskless principal,” if a clearing report is not necessary to clear the transaction.

A riskless principal transaction in which a member purchases or sells the security on an exchange to satisfy a customer's order will be reported by the exchange and the member shall not report.

Example:

BUY as principal 100 shares from another member at 40 to fill an existing order;
 SELL as principal 100 shares to a customer at 40 plus mark-up of \$12.50;
 REPORT 100 shares at 40 by submitting to ACT either a single trade report marked with a “riskless principal” capacity indicator or by submitting the following reports:

(1) where required by this Rule, a tape report marked with a “principal” capacity indicator; and

(2) either a non-tape, non-clearing report or a clearing-only report marked with a “riskless principal” capacity indicator.

Example:

BUY as principal 100 shares on an exchange at 40 to fill an existing order;
 SELL as principal 100 shares to a customer at 40 plus a mark-up of \$12.50.
 DO NOT REPORT (will be reported by exchange).

(e) Transactions Not Required To Be Reported

The following types of transactions shall not be reported for inclusion on the Consolidated Tape:

(1) transactions executed on an exchange;

- (2) odd-lot transactions;
- (3) transactions which are part of a primary distribution by an issuer or of a registered secondary distribution (other than shelf distributions) or of an unregistered secondary distribution effected off the floor of an exchange;
- (4) transactions made in reliance on Section 4(2) of the Securities Act of 1933;
- (5) transactions where the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the security, e.g., to enable the seller to make a gift;
- (6) the acquisition of securities by a member as principal in anticipation of making an immediate exchange distribution or exchange offering on an exchange;
- (7) purchases of securities off the floor of an exchange pursuant to a tender offer, and
- (8) purchases or sales of securities effected upon the exercise of an option pursuant to the terms thereof or the exercise of any other right to acquire securities at a pre-established consideration unrelated to the current market.

Selected Notices to Members: 94-71; 99-66.

IM-6420-1. Transaction Reporting by Registered Reporting ECNs

(a) Orders/Executions Delivered by Nasdaq Systems

When an order/execution is delivered to a Registered Reporting ECN by a Nasdaq system that automatically produces trade reports, the Nasdaq system will report the transaction on behalf of the parties. When a Nasdaq system that automatically produces trade reports delivers an ECN order/execution to a Registered Reporting Member, the Nasdaq system will automatically produce the transaction report on behalf of the parties.

(b) Transactions Matched or Facilitated Within a Registered Reporting ECN

With the exception of those transactions described in paragraph (a), a Registered Reporting ECN must report to Nasdaq, in accordance with the matrix below, all transactions in eligible securities in which it is a party or which it facilitates (*e.g.*, matches

or crosses). A Registered Reporting ECN must report the transaction to Nasdaq as either a riskless principal transaction or as an agency cross.

Match/Facilitation	Where Reported	How Reported
RRMM => RRECEN <= RRMM	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
RRMM => RRECEN <= NRRM	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
RRMM => RRECEN <= OTCMM	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
RRMM => RRECEN <= NNBD	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
RRMM => RRECEN <= Customer	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
NRRM => RRECEN <= NRRM	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
NRRM => RRECEN <= OTCMM	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
NRRM => RRECEN <= NNBD	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
NRRM => RRECEN <= Customer	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
Customer => RRECEN <= Customer	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
Customer => RRECEN <= OTCMM	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
Customer => RRECEN <= NNBD	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
OTCMM => RRECEN <= OTCMM	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
OTCMM => RRECEN <= NNBD	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.
NNBD => RRECEN <= NNBD	Nasdaq	RRECEN must report this trade as riskless principal or an agency cross.

RRMM means Registered Reporting Market Maker.

RRECEN means Registered Reporting ECN.

NRRM means Non-Registered Reporting Member.

OTCMM means OTC Market Maker.

NNBD means Non-Nasdaq Broker-Dealer (*i.e.*, a broker-dealer that is not a Nasdaq member).

The matrix covers transactions that are matched or facilitated wholly within the ECN's system.

Transactions executed as result of the ECN's quote/order displayed in Nasdaq being accessed, or the ECN accessing the quote of a market maker, through a Nasdaq system (*e.g.*, CAES) are covered by paragraph (a) of this rule. The first example in the matrix illustrates a scenario in which two market makers that are subscribers of the ECN have placed their orders with an ECN and these orders have matched.

(c) Orders Routed Between ECNs

(1) When a Registered Reporting ECN routes an order to another Registered Reporting ECN, the receiving Registered Reporting ECN that executes the order must report the transaction to Nasdaq as a riskless principal or an agency cross transaction. The receiving Registered Reporting ECN must identify the

sending Registered Reporting ECN as its contra party.

(2) When a Registered Reporting ECN routes an order to an ECN that is not a Nasdaq member (*i.e.* is not a Registered Reporting ECN) and the receiving ECN executes the order, the receiving ECN should report the transaction in accordance with the rules of the self-regulatory organization of which it is a member.

(3) When a Registered Reporting ECN receives an order routed from an ECN that is not a Nasdaq member (*i.e.*, is not a Registered Reporting ECN) and executes the order, the Registered Reporting ECN must report the transaction to Nasdaq as a riskless principal or an agency cross transaction. The Registered Reporting ECN must identify the sending ECN as its contra party.

(d) Trade Reporting Obligations of Firms That Are Registered Reporting ECNs and Members of the NASD

An ECN that is a member of Nasdaq and the NASD can choose on a transaction-by-transaction basis to report its transactions in a security to either Nasdaq or the NASD if the ECN:

(1) is both a Registered Reporting ECN and an ECN that displays quotes in the over the counter market through a facility provided by the NASD;

(2) is simultaneously displaying quotes in the same security in Nasdaq and through the facilities provided by the NASD; and

(3) has a trade reporting obligation according to Rule 6420(b), paragraphs (b) and (c) of this Interpretive Material, and the rules of the NASD.

This choice is not available, however, if the transaction is facilitated or executed through a Nasdaq system that automatically produces trade reports. Transactions facilitated or executed through such Nasdaq systems will be reported to Nasdaq in accordance with Rule 6410(g).

IM-6420-2. Liquidity Provider

A member's obligations under certain provisions of Rule 6420 are dependent on whether the member is the liquidity provider for the transaction. The liquidity provider is the broker-dealer to whom an order is delivered for execution. This principle is applicable in situations in which an order is delivered by a Nasdaq system, a broker-dealer's proprietary system, a system provided by a commercial vendor, or any other type of order delivery system. When a transaction is negotiated between broker-dealers, either through an electronic negotiation system, or a telephone conversation, the liquidity provider is the party that was initially contacted, regardless of whether that party replies

with a counter offer. The broker-dealer that initiates the negotiation will not be considered the liquidity provider because by initiating the contact it is considered the party in search of liquidity.

The following examples illustrate the liquidity provider principle:

OTC Market Maker (“OTCMM”) possesses an order to sell 1000 shares of a security. OTCMM contacts Registered Reporting Member Z (“RRMZ”), and RRMZ buys the 1000 shares from OTCMM. In this example, RRMZ is the liquidity provider because it was the party that was sought out by the seller (*i.e.*, to fill its order, OTCMM sought the liquidity provided by RRMZ). Therefore, under Rule 6420(b)(8), RRMZ would report the transaction to Nasdaq.

RRMZ could also be the liquidity provider when it is the seller. For example, OTCMM possesses an order to buy 1000 shares. OTCMM contacts RRMZ, and RRMZ sells the 1000 shares to OTCMM. RRMZ is the liquidity provider because it was the party that was sought out by the buyer. In this example, OTCMM sought the liquidity provided by RRMZ to fill the buy order. Therefore, under Rule 6420(b)(8), RRMZ would report this transaction to Nasdaq.

In these examples, the “contact” can occur through several methods. For example, OTCMM could send a CAES message to RRMZ. In addition, the order could be delivered by a broker-dealer’s proprietary order routing system, an order routing system provided by a commercial vendor, or an order routing system provided by Nasdaq. Nasdaq systems that automatically produce trade reports will report the transaction on behalf of the parties and indicate which party is the liquidity provider.

IM-6420-3. Trade Reporting Obligations of Firms That Are Registered Reporting Members and OTC Market Makers

A broker-dealer that is a member of Nasdaq and the NASD can choose on a transaction-by-transaction basis to report its transactions in a security to either Nasdaq or the NASD if the broker-dealer:

(1) is both a Registered Reporting Member and an OTC Market Maker registered with the NASD;

(2) is simultaneously displaying quotes in the same security in Nasdaq and through the facilities provided by the NASD; and

(3) has a trade reporting obligation according to Rule 6420(b) and the rules of the NASD.

This choice is not available, however, if the transaction is facilitated or executed through a Nasdaq system that automatically produces trade reports. Transactions facilitated or

executed through such Nasdaq systems will be reported to Nasdaq in accordance with Rule 6410(g).

6430. Suspension of Trading

(a) Members shall promptly notify Nasdaq whenever they have knowledge of any matter related to an eligible security or the issuer thereof which has not been adequately disclosed to the public or where they have knowledge of a regulatory problem relating to such security.

(b) Whenever any market for any eligible security halts or suspends trading in such security, members may continue to conduct trading in such security during the period of any such halt or suspension and shall continue to report all last sale prices reflecting transactions in such security, unless Nasdaq has initiated a trading halt for ITS/CAES Market Makers in the security, pursuant to Rule 4120.

6440. Trading Practices

(a) No member shall execute or cause to be executed or participate in an account for which there are executed purchases of any eligible security at successively higher prices, or sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

(b) No member shall, for the purpose of creating or inducing a false or misleading appearance of activity in an eligible security or creating or inducing a false or misleading appearance with respect to the market in such security:

(1) execute any transaction in such security which involves no change in the beneficial ownership thereof; or

(2) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties; or

(3) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

(c) No member shall execute purchases or sales of any eligible security for any account in which such member is directly or indirectly interested, which purchases or sales are excessive in view of the member's financial resources or in view of the market

for such security.

(d) No member shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

(1) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of an eligible security shall be deemed to be a manipulative operation.

(2) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.

(3) The carrying on margin of a position in such securities or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

(e) No member shall make any statement or circulate and disseminate any information concerning any eligible security which such member knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

(f)(1) No member shall:

(A) personally buy or initiate the purchase of an eligible security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while such member holds or has knowledge that any person associated with it holds an unexecuted market order to buy such security in the unit of trading for a customer; or

(B) sell or initiate the sale of any such security for any such account, while it personally holds or has knowledge that any person associated with it holds an unexecuted market order to sell such security in the unit of trading for a customer.

(2) No member shall:

(A) buy or initiate the purchase of any such security for any such account, at or below the price at which it personally holds or has knowledge that any person associated with it holds an unexecuted limited price order to buy such security in the unit of trading for a customer; or

(B) sell or initiate the sale of any such security for any such account at or above the price at which it personally holds or has knowledge that any person associated with it holds an unexecuted limited price order to sell such security in the unit of trading for a customer.

(3) The provisions of this paragraph shall not apply:

(A) to any purchase or sale of any such security in an amount less than the unit of trading made by a member to offset odd-lot orders for customers,

(B) to any purchase or sale of any such security upon terms for delivery other than those specified in such unexecuted market or limited price order,

(C) to any unexecuted order that is subject to a condition that has not been satisfied.

(g) No member or person associated with a member shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling an eligible security, unless such joint account is promptly reported to Nasdaq. The report should contain the following information for each account:

- (1) Name of the account, with names of all participants and their respective interests in profits and losses;
- (2) a statement regarding the purpose of the account;
- (3) name of the member carrying and clearing the account; and
- (4) a copy of any written agreement or instrument relating to the account.

(h) No member shall offer that a transaction or transactions to buy or sell an eligible security will influence the closing transaction on the Consolidated Tape.

(i) (1) A member may, but is not obligated to, accept a stop order in an eligible security.

(A) A buy stop order is an order to buy which becomes a market order when a transaction takes place at or above the stop price.

(B) A sell stop order is an order to sell which becomes a market order when a transaction takes place at or below the stop price.

(2) A member may, but is not obligated to, accept stop limit orders in eligible securities. When a transaction occurs at the stop price, the stop limit order to buy or sell becomes a limit order at the limit price.

(j) No member or person associated with a member shall execute or cause to be executed, directly or indirectly, an over-the-counter transaction in a security subject to an initial public offering until such security has first opened for trading on the national securities exchange listing the security, as indicated by the dissemination of an opening

transaction in the security by the listing exchange via the Consolidated Tape.

6450. Eligible Securities

Transactions required to be reported on the Consolidated Tape (eligible securities) include all common stocks, preferred stocks, long-term warrants, and rights entitling the holder to acquire an eligible security, listed on the American Stock Exchange and/or the New York Stock Exchange and the following securities listed on regional stock exchanges.

SYMBOL	SECURITY
ALK\$	Alaska Airlines \$2.77 Pfd.
ADN	Alden Electronic
AFI\$D	Amer. Financial Corp. Pfd.D
AFI\$E	Amer. Financial Corp. Pfd.E
AFI\$F	Amer. Financial Corp. Pfd.F
AFI\$G	Amer. Financial Corp. Pfd.G
AFI\$H	Amer. Financial Corp. Pfd.H
BPP	Ballys Park Place
BSI	Bastian Inds., Inc.
BSI\$	Bastian Inds., Inc. \$1.00 Pfd
BBM	Berkeley Bio Medical
CSW	Canada Southern Petroleum
CNO	Casco Northern Corp.
CJI	Central Jersey Industries
CTE	Columbia Chase Corp.
DCT	DC Trading Development Corp.
EDG	Enterprise Devel. Group, Inc.
GEO	Geothermal Resources
GLR	Grolier Inc.
HWK	Hardwicke Companies, Inc.
MOD	Modine Manufacturing Company
OKC	OKC Limited Partnership
OGS	O's Gold Seed Company
PRI	Pacific Resources
PJH	Piper Jaffray, Inc.
PRB	Provident Bancorp, Inc.
REL.Z	Reliance Group 87 Wts.
SOU\$A	Southern Cal Gas 6% A Pfd.
SOU\$Q	Southern Cal Gas 6% Pfd.
SYN\$B	Syntex Corp. Pfd.B
TEP\$	Tucson Elec. Power Pfd.
UTC	United Canso Oil and Gas
WH	White Motor Corporation

Selected Notices to Members: 85-27, 87-12, 93-9, 93-25.

6500. BULLETIN BOARD® SERVICE

6510. Applicability

These Rules shall be known as the " Bulletin Board Rules" and govern the operation and use of the Bulletin Board® service ("Service") by broker/dealers admitted to membership in Nasdaq and their associated persons. Unless otherwise indicated, the requirements of the Bulletin Board Rules are in addition to the requirements contained in the other Nasdaq Rules, By-Laws, and Schedules to the By-Laws.

6520. Operation of the Service

The Bulletin Board provides an electronic quotation medium for subscribing members to reflect market making interest in Bulletin Board-eligible securities. Subscribing market makers can utilize the Service to enter, update, and display their proprietary quotations in individual securities on a real-time basis. Such quotation entries may consist of a priced bid and/or offer; an unpriced indication of interest (including "bid wanted" or "offer wanted" indications); or a bid/offer accompanied by a modifier to reflect unsolicited customer interest. A subscribing market maker can also access the proprietary quotations that other firms have entered into the Service along with highest bid and lowest offer (i.e., an inside bid-ask calculation) in any Bulletin Board-eligible security with at least two market makers displaying two-sided markets.

6530. Bulletin Board-Eligible Securities

A Member shall be permitted to quote the following categories of securities in the Service:

(a) any domestic equity security that satisfies the requirements of paragraph (1) and either paragraph (2) or (3) or (4) below:

(1) the security is not listed on Nasdaq or another registered national securities exchange in the U.S., except that an equity security shall be considered eligible if it:

(A) is listed on one or more regional stock exchanges, and

(B) does not qualify for dissemination of transaction reports via the facilities of the Consolidated Tape; and

(2) the issuer of the security is required to file reports pursuant to Section 13 or 15(d) of the Act or the security is described in Section 12(g)(2)(B) of the Act, and, subject to a thirty calendar day grace period, the issuer of the security is current in its reporting obligations, or

(3) the security is described in Section 12(g)(2)(G) of the Act and, subject to a sixty calendar day grace period, the issuer of the security is current in its reporting obligations, or

(4) the issuer of the security is a bank or savings association that is not required to file reports with the Commission pursuant to Section 13 or 15(d) of the Act and, subject to a sixty calendar day grace period, the issuer of the security is current with all required filings with its appropriate Federal banking agency or State bank supervisor (as defined in 12 U.S.C. 1813).

(b) any foreign equity security or American Depositary Receipt (ADR) that meets all of the following criteria:

(1) the security is registered with the Securities and Exchange Commission pursuant to Section 12 of the Act and the issuer of the security is current in its reporting obligations; or the security satisfies the requirements of paragraph (a)(2) or (3) or (4) above; and

(2) the security is not listed on Nasdaq or another registered national securities exchange in the U.S., except that a foreign equity security or ADR shall meet this subparagraph (2) if it is:

(A) listed on one or more regional stock exchanges, and

(B) does not qualify for dissemination of transaction reports via the facilities of the Consolidated Tape.

(c) any equity security that meets the following criteria:

(1) the security is undergoing delisting from Nasdaq, the New York Stock Exchange, Inc. (NYSE) or the American Stock Exchange, Inc. (AMEX) for non-compliance with maintenance-of-listing standards; and

(2) the security is subject to a trading suspension imposed by Nasdaq, the NYSE or AMEX preceding the actual delisting; and

(3) the security satisfies the requirements of paragraph (a)(2) or (3) or (4) above.

(d) any Direct Participation Program as defined in Rule 6910 that is not listed on Nasdaq or another registered national securities exchange in the U.S. and that satisfies the requirements of paragraph (a)(2) or (3) or (4) above.

(e) Paragraphs (a)(2) and (3) and (4) above will not apply with respect to any domestic equity security quoted in the Service on the effective date of this rule change until six months after that date.

Selected NASD Notices to Members: 99-15, 99-43, 99-76.

6540. Requirements Applicable to Market Makers

(a) Market-maker participation in the Bulletin Board is voluntary and open to any Nasdaq member firm that satisfies the financial/operational requirements applicable to member firms engaged in Nasdaq market making; subscribes to Level 3 Nasdaq Workstation service; and demonstrates compliance with (or qualifies for an exception from) SEC Rule 15c2-11 at the time of initiating (or resuming) the quotation of any Bulletin Board-eligible security in the Service. Rule 6541 sets forth the procedure for demonstrating compliance with SEC Rule 15c2-11.

(b) Bulletin Board-eligible securities that meet the frequency-of-quotation requirement for the so called "piggyback" exception in SEC Rule 15c2-11(f)(3)(i) are identified in the Service as "active" securities. A member can commence market making in any active security by registering as a market maker through a Nasdaq Workstation at the firm. In all other instances, a member must follow the procedure contained in this Rule to become qualified as a market maker in a particular Bulletin Board-eligible security.ⁱ

(1) Permissible Quotation Entries

(A) A Nasdaq member firm that has qualified as a market maker in a particular Bulletin Board-eligible security may enter into the Service a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" and "offer wanted" indications) or a bid or offer accompanied by a modifier to reflect unsolicited customer interest. Every quotation entry must include the appropriate telephone number for the firm's trading desk.

(B) A priced bid and/or offer entered into the Service for a domestic equity security must be firm up to the minimum quotation size specified in Rule 6542. This firmness requirement applies only during normal business hours, i.e., 9:30 a.m. to 4:00 p.m. Eastern Time.

(C) A priced bid and/or offer entered into the Service for a foreign equity security, an ADR, or a Direct Participation Program security shall be non-firm.ⁱⁱ Moreover, a market maker is only permitted to update quotation entries in such securities twice daily, i.e., once between 8:30 a.m. and 9:30 a.m. Eastern Time, and once between noon and 12:30 p.m. Eastern Time.ⁱⁱⁱ

(D) Any member that intends to be a distribution participant in a distribution of securities subject to SEC Rule 101, or is an affiliated purchaser in such distribution, and is entering quotations in a Bulletin Board-eligible security that is the subject security or reference security of such distribution shall, unless another member has assumed responsibility for compliance with this paragraph:

(i) provide written notice to Nasdaq Market Operations prior to the pricing of the distribution that includes the intended date and time of the pricing of the offering;

(ii) withdraw all quotations in the Bulletin Board-eligible security to comply with the applicable restricted period under SEC Rule 101 and not enter a stabilizing bid pursuant to SEC Rule 104 in the Bulletin Board;

(iii) provide written notice to the Corporate Financing Department of NASD Regulation, Inc. of its intention to impose a penalty bid or to conduct syndicate covering transactions pursuant to SEC Rule 104 prior to imposing the penalty bid or engaging in the first syndicate covering transaction. Such notice shall include information as to the date the penalty bid or first syndicate covering transaction will occur; and

(iv) provide written notice to the Market Regulation Department of NASD Regulation, Inc. by the close of business on the day the offering terminates that includes the date and time of the pricing of the offering, the offering price, and the time the offering terminated.

(E) The written notice required by subparagraphs (b)(1)(D)(i), (iii) and (iv) of this Rule may be submitted on the Underwriting Activity Report provided by the Corporate Financing Department of NASD Regulation, Inc.

(F) For purposes of subparagraph (b)(1)(D), SEC Rules 100, 101, 103 and 104 are rules of the Commission adopted under Regulation M and the following terms shall have the meanings as defined in SEC Rule 100: “affiliated purchaser,” “distribution,” “distribution participant,” “penalty bid,” “reference security,” “restricted period,” “stabilizing,” “subject security,” and “syndicate covering transaction.”

(2) Impermissible Quotation Entries

(A) No member or person associated with a member shall enter into the Service a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" or "offer wanted" indications), or a bid or offer accompanied by a modifier to reflect unsolicited customer interest in any security that does not satisfy the requirements of Rule 6530.

(B) No member or person associated with a member shall enter into the Service a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" or "offer wanted" indications), or a bid or offer

accompanied by a modifier to reflect unsolicited customer interest in any security of an issuer that does not make filings with the Securities and Exchange Commission through the Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system (or in paper format, if specifically permitted by Commission Rules) unless the member:

(i) notifies Nasdaq of the issuer of the security's schedule for the filing of all periodic reports or financial reports required pursuant to the Act or regulatory authority, respectively, and the identity of the regulatory authority with which such reports are filed, or ensures that such notice is provided; and

(ii) provides to Nasdaq the issuer's periodic reports required pursuant to the Act, or the issuer's financial reports required by regulatory authority, prior to the expiration of the grace period described in Rule 6530(a)(3), or ensures that the required periodic reports are provided to Nasdaq within that time period.

(3) Voluntary Termination of Registration

A market maker can voluntarily terminate its registration in an Bulletin Board-eligible security by withdrawing its quotations in that security from the Service. The firm may re-register to quote the security by satisfying the requirements specified above.

(4) More Than One Trading Location

In cases where a market maker has more than one trading location, a fifth-character, geographic indicator shall be appended to the market maker's identifier for that security. Indicators are established by Nasdaq and published from time to time in the Nasdaq/CQS symbol directory.

(5) Clearance and Settlement

(A) A market maker shall clear and settle transactions in Bulletin Board-quoted securities through the facilities of a registered clearing agency that uses a continuous net settlement system. This requirement applies only to transactions in Bulletin Board securities that are clearing eligible.

(B) The foregoing requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another member that clears trades through such an agency.

(C) Notwithstanding subparagraph (A) hereof, transactions in Bulletin Board- quoted securities may be settled "ex-clearing" provided that both parties to the transactions agree.

(c) Compliance with Market Maker Requirements

Failure of a member or a person associated with a member to comply with this Rule may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2110.

Selected NASD Notices to Members: 99-15, 99-43, 99-76.

6541. Submission of Rule 15c2-11 Information on Bulletin Board Securities

(a) Except as provided in SEC Rule 15c2-11(f)(1), (2), (3) and (5) under the Act, no member shall initiate or resume the quotation of a non-Nasdaq security in any quotation medium unless the member has demonstrated compliance with this rule and the applicable requirements for information maintenance under Rule 15c2-11. A member shall demonstrate compliance by making a filing with, and in the form required by, Nasdaq, which filing must be received at least three business days before the member's quotation is published or displayed in the quotation medium.

(b) The information to be filed shall contain one copy of all information required to be maintained under SEC Rule 15c2-11(a)(1), (2), (3)(iii), (4)(ii), or (5), including any information that may be required by future amendments thereto. In addition, this filing shall identify the issuer, the issuer's predecessor in the event of a merger or reorganization within the previous 12 months, the type of Bulletin Board security to be quoted (e.g., ADR, warrant, unit, or common stock), the member's initial or resumed quotation, and the particular subsection of Rule 15c2-11 with which the member is demonstrating compliance. Additionally, if a member is initiating or resuming quotation of a Bulletin Board security with a priced entry, the member's filing must specify the basis upon which that priced entry was determined and the factors considered in making that determination.

(c) If a member's initial or resumed quotation does not include a priced entry, a member shall supplement its prior filing under this Rule, in the form required by Nasdaq, before inserting a priced entry for the affected Bulletin Board security in the Bulletin Board. The supplemental filing shall specify the basis upon which the proposed priced entry was determined and the factors considered in making that determination. The supplemental filing must be received by Nasdaq at least three business days before the member's priced entry first appears in a quotation medium.

(d) All filings made with Nasdaq under this Rule must be reviewed and signed by a principal of the member firm.

6542. Minimum Quotation Size Requirements For Bulletin Board Securities

Every member firm that functions as a market maker in Bulletin Board Securities by entering firm quotations into the Bulletin Board Service must honor those quotations for the minimum size defined in the table below. In this regard, it is the market maker's responsibility to determine the minimum size requirement applicable to its firm bid and/or offer in each of its registered securities. Depending on the price level of the bid or offer, a different minimum size can apply to each side of the market being quoted by the member firm in a given security.

<u>Price (Bid or Offer)</u>	<u>Minimum Quote Size</u>
0 - .50 ^{iv*}	5,000
.51 - 1.00	2,500
1.01 - 10.00	500
10.01 - 100.00	200
100.01 - 200.00	100
200.01 - 500	25
500.01 - 1000	10
1000.01 - 2500	5
2500.01 +	1

Selected NASD Notices to Members: 93-54.

6543. Reserved

6544. Reserved

6545. Trading and Quotation Halt in Bulletin Board-Eligible Securities

(a) Authority for Initiating a Trading and Quotation Halt

In circumstances in which it is necessary to protect investors and the public interest, Nasdaq may direct members, pursuant to the procedures set forth in paragraph (b), to halt trading and quotations in the over-the-counter (“OTC”) market of a security or an American Depository Receipt (“ADR”) that is included in the Bulletin Board if:

(1) the Bulletin Board security or the security underlying the Bulletin Board ADR is listed on or registered with a foreign securities exchange or market, and the foreign securities exchange, market, or regulatory authority overseeing such issuer, exchange, or market, halts trading in such security for regulatory reasons because of public interest concerns (“Foreign Regulatory Halt”); provided, however, that Nasdaq will not impose a trading and quotation halt if the Foreign Regulatory Halt was imposed solely for material news, a regulatory filing deficiency, or operational reasons; or

(2) the Bulletin Board security or the security underlying the Bulletin Board ADR is a derivative or component of a security listed on or registered with a national securities exchange, Nasdaq, or foreign securities exchange or market (“listed security”) and the national securities exchange, Nasdaq, or foreign

securities exchange or market, imposes a trading halt in the listed security; or

(3) the issuer of the Bulletin Board security or the security underlying the Bulletin Board ADR fails to comply with the requirements of SEC Rule 10b-17 regarding Untimely Announcements of Record Dates.

(b) Procedure for Initiating a Trading and Quotation Halt

(1) When a halt is initiated under subparagraph (a)(1) of this rule, upon receipt of information from a foreign securities exchange or market on which the Bulletin Board security or the security underlying the Bulletin Board ADR is listed or registered, or from a regulatory authority overseeing such issuer, exchange, or market, Nasdaq will promptly evaluate the information and determine whether a trading and quotation halt in the Bulletin Board security is appropriate.

(2) Should Nasdaq determine that a basis exists under this rule for initiating a trading and quotation halt, the commencement of the trading and quotation halt will be effective simultaneous with the issuance of appropriate public notice.

(3) Trading and quotations in the Bulletin Board or OTC market may resume when Nasdaq determines that the basis for the halt no longer exists, or when five business days have elapsed from the date Nasdaq initiated the trading and quotation halt in the security, whichever occurs first. Nasdaq shall disseminate appropriate public notice that the trading and quotation halt is no longer in effect.

(c) Violation of Bulletin Board Trading and Quotation Halt Rule

If a security is subject to a trading and quotation halt initiated pursuant to this rule, it shall be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110 for a member:

(i) to effect, directly or indirectly, a trade in such security; or

(ii) to publish a quotation, a priced bid and/or offer, an unpriced indication of interest (including “bid wanted” and “offer wanted” indications), or a bid or offer accompanied by a modifier to reflect unsolicited customer interest, in any quotation medium. For purposes of this rule, “quotation medium” shall mean any: system of general circulation to brokers or dealers that regularly disseminates quotations of identified brokers or dealers; or publication, alternative trading system or other device that is used by brokers or dealers to disseminate quotations to others..

6550. Transaction Reporting

Member firms that effect transactions in Bulletin Board Securities shall report such transactions pursuant to the requirements of this Rule 6650 Series, except for

transactions in Direct Participation Program securities, which shall be reported pursuant to the requirements of Rule 6900.

Selected NASD Notices to Members: 94-08, 94-29, 94-73, 97-80.

6551. Definitions

(a) Terms used in this Rule shall have the same meaning as those defined in Nasdaq's By-Laws and Rules unless otherwise specified herein.

(b) "Automated Confirmation Transaction Service" or ACT is the service that, among other things, accommodates reporting and dissemination of last sale reports in Bulletin Board Securities. Regarding those Bulletin Board Securities that are not eligible for clearance and settlement through the facilities of the National Securities Clearing Corporation, the ACT comparison function will not be available. However, ACT will support the entry and dissemination of last sale data on such securities.

(c) "Non-Market Maker" means a member of Nasdaq that is not a Bulletin Board Market Maker with respect to a particular Bulletin Board Security.

(d) "Bulletin Board Security" means any equity security that meets the eligibility requirements set forth in Rule 6530 and for which quotes are disseminated in the Bulletin Board Service. (e) "Bulletin Board Market Maker" means a member of Nasdaq that holds itself out as a market maker by entering proprietary quotations or indications of interest for a particular Bulletin Board Security in the Bulletin Board Service. A member is a Bulletin Board Market Maker only in those Bulletin Board Securities in which it displays market making interest via the Bulletin Board Service.

6552. Transaction Reporting

(a) When and How Transactions are Reported

(1) Bulletin Board Market Makers shall, within 90 seconds after execution, transmit through ACT last sale reports of transactions in Bulletin Board Securities executed during normal market hours. Transactions not reported within 90 seconds after execution shall be designated as late.

(2) Non-Market Makers shall, within 90 seconds after execution, transmit through ACT, the ACT service desk (if qualified pursuant to Rule 7010(i)), or by telephone to the Nasdaq Market Operations Department (if ACT is unavailable due to system or transmission failure), last sale reports of transactions in Bulletin Board Securities executed during normal market hours. Transactions not reported within 90 seconds after execution shall be designated as late.

(3) Transaction Reporting Outside Normal Market Hours

(A) Last sale reports of transactions in Bulletin Board Securities

executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be transmitted through ACT within 90 seconds after execution and shall be designated as ".T" trades to denote their execution outside normal market hours. Last sale reports of transactions in Bulletin Board Securities executed between the hours of 4:00 p.m. and 6:30 p.m. Eastern Time shall also be transmitted through ACT within 90 seconds after execution; trades executed and reported after 4:00 p.m. Eastern Time shall be designated as ".T" to denote their execution outside normal market hours. Transactions not reported within 90 seconds must include the time of execution on the trade report.

(B) Last sale reports of transactions in Bulletin Board Securities executed outside the hours of 8:00 a.m. and 6:30 p.m. Eastern Time shall be reported as follows:

(i) Last sale reports of transactions in Bulletin Board Securities that are executed between midnight and 8:00 a.m. Eastern Time shall be transmitted through ACT between 8:00 a.m. and 9:30 a.m. Eastern Time on trade date, be designated as ".T" trades to denote their execution outside normal market hours, and be accompanied by the time of execution. The party responsible for reporting on trade date, the trade details to be reported, and the applicable procedures shall be governed, respectively, by paragraphs (b), (c), and (d) below;

(ii) Last sale reports of transactions in Bulletin Board Securities that are executed between 6:30 p.m. and midnight Eastern Time shall be transmitted through ACT on the next business day (T+1) between 8:00 a.m. and 6:30 p.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day, and be accompanied by the time of execution. The party responsible for reporting on T+1, the trade details to be reported, and the applicable procedures shall be governed, respectively, by paragraphs (b), (c), and (d) below; and

(4) All members shall report as soon as practicable to NASD Regulation's Market Regulation Department on Form T, last sale reports of transactions in OTC Equity Securities for which electronic submission into ACT is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active, or ACT will not accept the date of execution because Nasdaq was closed on that date). Transactions that can be reported into ACT, whether on trade date or on a subsequent date on an "as of" basis (T+N), shall not be reported on Form T.

(5) A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of

commercial honor and just and equitable principles of trade, in violation of Rule 2110.

(6) All members shall append a trade report modifier as designated by Nasdaq to transaction reports that reflect a price different from the current market when the execution is based on a prior reference point in time, which shall be accompanied by the prior reference time.

(b) Which Party Reports Transaction

(1) In transactions between two Bulletin Board Market Makers, only the member representing the sell side shall report.

(2) In transactions between a Bulletin Board Market Maker and a Non-Market Maker, only the OTC Market Maker shall report.

(3) In transactions between two Non-Market Makers, only the member representing the sell side shall report.

(4) In transactions between a member and a customer, the member shall report.

(c) Information To Be Reported

Each last sale report shall contain the following information:

- (1) Symbol of the Bulletin Board Security;
- (2) Number of shares;
- (3) Price of the transaction as required by paragraph (d) below; and
- (4) A symbol indicating whether the transaction is a buy, sell, or cross.

(d) Procedures for Reporting Price and Volume

Members that are required to report pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in Bulletin Board Securities in the following manner:

- (1) For agency transactions, report the number of shares and the price excluding the commission charged.
- (2) For dual agency transactions, report the number of shares only once,

and report the price excluding the commission charged.

(3) (A) For principal transactions, except as provided in subparagraph (B) hereof, report each purchase and sale transaction separately and report the number of shares and the price. For principal transactions that are executed at a price which includes a mark-up, mark-down or service charge, the price reported shall exclude the mark-up, mark-down or service charge. Such reported price shall be reasonably related to the prevailing market, taking into consideration all relevant circumstances including, but not limited to, market conditions with respect to the Bulletin Board Security, the number of shares involved in the transaction, the published bids and offers with size displayed in the Bulletin Board Service at the time of the execution (including the reporting firm's own quotation), the cost of execution and the expenses involved in clearing the transaction.

(B) Exception: A "riskless" principal transaction in which a member, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after receiving an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s) to ACT:

(a). The member with the obligation to report the transaction pursuant to paragraph (c) above must submit a last sale report for the initial leg of the transaction.

(b). Regardless of whether a member has a reporting obligation pursuant to paragraph (c) above, the firm must submit, for the offsetting, "riskless" portion of the transaction, either:

(1). a clearing-only report with a capacity indicator of "riskless principal," if a clearing report is necessary to clear the transaction; or

(2). a non-tape, non-clearing report with a capacity indicator of "riskless principal," if a clearing report is not necessary to clear the transaction.

Example:

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting to ACT either a single trade report marked with a “riskless principal” capacity indicator or by submitting the following reports:

- (1) where required by this Rule, a tape report marked with a “principal” capacity indicator; and
- (2) either a non-tape, non-clearing report or a clearing-only report marked with a “riskless principal” capacity indicator.

(e) Transactions Not Required To Be Reported

The following types of transactions shall not be reported:

- (1) Transactions which are part of a primary distribution by an issuer or a registered secondary distribution (other than "shelf distributions") or of an unregistered secondary distribution;
- (2) Transactions made in reliance on Section 4(2) of the Securities Act of 1933;
- (3) Transactions where the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the security;
- (4) Purchases or sales of securities effected upon the exercise of an option pursuant to the terms thereof or the exercise of any other right to acquire securities at a pre-established consideration unrelated to the current market.

Selected Notices to Members: 93-62, 93-83, 99-65, 99-66.

6600. RESERVED

6700. RESERVED

6800. MUTUAL FUND QUOTATION SERVICE

(a) Description

The Mutual Fund Quotation Service collects and disseminates through Nasdaq prices for both mutual funds and money market funds.

(b) Eligibility Requirements

To be eligible for participation in the Mutual Fund Quotation Service, a fund shall:

- (1) be registered with the Commission as an open-end ("open-end fund") or a closed-end ("closed-end fund") investment company pursuant to the Investment Company Act of 1940,

(2) execute the agreement specified by Nasdaq relating to the fund's obligations under the Program,

(3) pay, and continue to pay, the fees as set forth in Rule 7090, and

(4) submit quotations through an automatic quotation system operated by Nasdaq.

(c) News Media Lists

(1) (A) An eligible open end fund shall be authorized for inclusion in the News Media List released by Nasdaq if it has at least 1,000 shareholders or \$25 million in net assets.

(B) An eligible closed-end fund shall be authorized for inclusion in the News Media List released by Nasdaq if it has at least \$100 million in net assets.

(C) Compliance with subparagraphs (1)(A) and (B) shall be certified by the fund to Nasdaq at the time of initial application for inclusion in the List.

(2) (A) An authorized open end fund shall remain included in the New Media List if it has either 750 shareholders or \$15 million in net assets.

(B) An authorized closed-end fund shall remain included in the News Media List if it has \$60 million in net assets.

(C) Compliance with subparagraphs (2)(A) and (B) shall be certified to Nasdaq upon written request by Nasdaq.

(d) Supplemental List

An eligible open-end or closed-end fund shall be authorized for inclusion in the Supplemental List released to vendors of Nasdaq Level 1 Service if:

(1) the fund has net assets of \$10 million or more; or

(2) has had two full years of operation.

(e) Determination of Number of Shareholders

For the purposes of this Rule, the number of shareholders of a fund shall be measured by the sum of record holders, as reported by the fund to the Commission, and the number of accounts of members of Nasdaq beneficially owned by customers (as defined in Rule 0120; provided, however, that an account with more than one beneficial

owner shall be considered one account.

6900. REPORTING TRANSACTIONS IN DIRECT PARTICIPATION PROGRAMS

All secondary market transactions by members in Direct Participation Program securities quoted on the Bulletin Board Service shall be reported to Nasdaq in accordance with the procedures set forth below. All trade tickets shall be time-stamped at the time of execution.

6910. Definitions

The following terms shall have the following meanings for purposes of Rule 6900.

(a) "Automated Confirmation Transaction Service," or ACT, is the service that, among other things, accommodates reporting of transactions in direct participation programs (DPPs). The ACT comparison function is not available for those DPPs that are both quoted on the Bulletin Board Service and eligible for clearance and settlement through the facilities of the National Securities Clearing Corporation. However, ACT will support the entry and inclusion of transaction data on such securities for reporting purposes.

(b) "Date of execution" means the date when the parties to a transaction in a DPP have agreed to all of the essential terms of the transaction, including the price and number of the units to be traded.

(c) "Direct participation program" or DPP, means a program which provides for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate programs, agricultural programs, cattle programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. A program may be composed of one or more legal entities or programs but when used herein, the term shall mean each of the separate entities or programs making up the overall program and/or the overall program itself. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code and individual retirement plans under Section 408 of that Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Internal Revenue Code, and any company, including separate accounts, registered pursuant to the Investment Company Act of 1940.

(d) "Riskless principal transaction" means a principal transaction where a member, after having received from a customer an order to buy, purchases the security as principal from another member or customer to satisfy the order to buy or, after having received from a customer an order to sell, sells the security as principal to another

member or customer to satisfy the order to sell.

(e) "Time of execution" means the time when the parties to a transaction in a DPP have agreed to all of the essential terms of the transaction, including the price and number of the units to be traded.

6920. Transaction Reporting.

(a) When and How Transactions are Reported

(1) Reports of secondary market transactions in direct participation programs quoted on the Bulletin Board Service shall be transmitted through ACT on the next business day ("T+1") after the date of execution between 8:00 a.m. and 1:30 p.m. Eastern Time, be designated "as of" trades to denote their execution on a prior day, and be accompanied by the time of execution. The party responsible for reporting on T+1, the trade details to be reported, and the applicable procedures shall be governed, respectively, by paragraphs (b), (c), and (d) below. Member firms that have the operational capability to report transactions within 90 seconds of execution, between the hours of 8:00 a.m. and 5:15 p.m. Eastern Time, may do so at their option. If a firm chooses this option, it need not report the same transaction(s) on T+1 as prescribed above.

(2) Members that do not have access to an ACT terminal and average five or fewer trades per day during the previous calendar quarter may use the ACT service desk for trade reporting. Such members shall be required to provide all information required by paragraph (c) of this Rule to the ACT service desk within the same time frames set forth in paragraph (a)(1) above.

(3) All members shall report to NASD Regulation's Market Regulation Department in Rockville, Maryland on Form T, reports of transactions in DPPs that were not transmitted through ACT, for whatever reason, either on the trade date or the next business day. Form T shall be used exclusively as a back-up mode whenever electronic entry of trade data is not feasible due to system malfunctions or other unusual conditions.

(4) A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2110.

(b) Which Party Reports Transactions

(1) In transactions between two members, only the member representing the sell side shall report.

(2) In transactions between a member and a customer, the member shall

report.

(c) Information To Be Reported

Each transaction report shall contain the following information:

- (1) A symbol indicating whether the transaction is a buy, sell, or cross;
- (2) Number of units;
- (3) Symbol of the DPP;
- (4) Price of the transaction as required by paragraph (d) below;
- (5) A symbol indicating whether the transaction is as principal, riskless principal, or agent;
- (6) Time of execution; and
- (7) Contra broker.

(d) Procedures for Reporting Price and Volume

Members that are required to report pursuant to paragraph (b) above shall transmit transaction reports for all purchases and sales in DPPs in the following manner:

- (1) For agency transactions, report the number of units and the price excluding any commission or service charge.
- (2) For dual agency transactions, report the number of units only once, and report the price excluding any commission or service charge.
- (3) For principal transactions, except as provided under subparagraph (4) below, report each purchase and sale transaction separately and report the number of units and the price. For principal transactions that are executed at a price which includes a mark-up, markdown or service charge, the price reported shall exclude the mark-up, mark-down or service charge. Such reported price shall be reasonably related to the prevailing market, taking into such consideration all relevant circumstances including, but not limited to, market conditions with respect to the DPP, the number of units involved in the transaction, the published bids and offers with size displayed in any quotation system at the time of the execution (including the reporting firm's own quotation), the cost of execution and the expenses involved in clearing the transaction.
- (4) For riskless principal transactions, report as one transaction in the same manner as an agency transaction, excluding the mark-up, mark-down, or

service charge.

(e) Transactions Not Required To Be Reported

The following transactions are not required to be reported under the foregoing procedures:

- (1) Transactions made in reliance on Section 4(2) of the Securities Act of 1933;
- (2) Transactions where the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the DPP, e.g., to enable the seller to make a gift;
- (3) Transactions executed on a registered national securities exchange (including Nasdaq); and
- (4) Transactions in DPPs not quoted on the Bulletin Board Service.

6950. ORDER AUDIT TRAIL SYSTEM

6951. Definitions

For purposes of Rules 6950 through 6957:

- (a) Terms shall have the same meaning as those defined in the Nasdaq By-Laws and Rules, unless otherwise specified.
- (b) Reserved
- (c) "Bunched Order" shall mean two or more orders that are aggregated prior to execution.
- (d) "Customer" shall mean a person other than a broker or dealer.
- (e) "ACT" shall mean the Automated Confirmation Transaction Service operated by Nasdaq.
- (f) "Electronic Communication Network" shall mean any electronic system that widely disseminates to third parties orders entered therein by an exchange market maker or over-the-counter market maker, and permits such orders to be executed in whole or in part, and as further defined in SEC Rule 11Ac1-1(a)(8).
- (g) "Electronic Order" shall mean an order captured by a member in an electronic order-routing or execution system.

(h) "Index Arbitrage Trade" shall mean an arbitrage trading strategy involving the purchase or sale of a "basket" or group of securities in conjunction with the purchase or sale, or intended purchase or sale, of one or more cash-settled options or futures contracts on index stock groups, or options on any such futures contracts in an attempt to profit by the price difference, as further defined in New York Stock Exchange Rule 80A.

(i) "Manual Order" shall mean an order that is captured by a member other than in an electronic order-routing or execution system.

(j) "Order" shall mean any oral, written, or electronic instruction to effect a transaction in a Nasdaq equity security that is received by a member from another person for handling or execution, or that is originated by a department of a member for execution by the same or another member, other than any such instruction to effect a proprietary transaction originated by a trading desk in the ordinary course of a member's market making activities.

(k) "Order Audit Trail System" shall mean the automated system owned and operated by Nasdaq that is designed to capture order information reported by members for integration with trade information reported to ACT and quotation information disseminated by members in order to provide Nasdaq with an accurate time sequenced record of orders and transactions.

(l) "Program Trade" shall mean a trading strategy involving the related purchase or sale of a group of 15 or more securities having a total market value of \$1 million or more, as further defined in New York Stock Exchange Rule 80A.

(m) "Reporting Agent" shall mean a third party that enters into any agreement with a member pursuant to which the Reporting Agent agrees to fulfill such member's obligations under Rule 6955.

(n) "Reporting Member" shall mean a member that receives or originates an order and has an obligation to record and report information under Rules 6954 and 6955.

Selected NASD Notice to Members: 98-33

6952. Applicability

(a) Unless otherwise indicated, the requirements of Rules 6953 through 6957 are in addition to the requirements contained in the Nasdaq By-Laws and Rules.

(b) Unless otherwise indicated, the requirements of Rules 6953 through 6957 shall apply to all brokers and dealers admitted to membership in Nasdaq and to their associated persons.

(c) Unless otherwise indicated, the requirements of Rules 6953 through 6957

shall apply to all executed or unexecuted orders for equity securities traded in Nasdaq.

Selected NASD Notice to Members: 98-33

6953. Synchronization of Member Business Clocks

Each member shall synchronize its business clocks that are used for purposes of recording the date and time of any event that must be recorded pursuant to the By-Laws or other Nasdaq rules, with reference to a time source as designated by Nasdaq, and shall maintain the synchronization of such business clocks in conformity with such procedures as are prescribed by Nasdaq.

Selected NASD Notice to Members: 98-33

6954. Recording of Order Information

(a) Procedures

(1) Subject to the terms and conditions contained in Rules 6952 through 6957, each Reporting Member shall:

(A) immediately following receipt or origination of an order, record each item of information described in paragraph (b) of this Rule that applies to such order, and record any additional information described in paragraph (b) of this Rule that applies to such order immediately after such information is received or becomes available; and

(B) immediately following the transmission of an order to another member, or from one department to another within the same member, record each item of information described in paragraph (c) of this Rule that applies with respect to such transmission; and

(C) immediately following the modification, cancellation, or execution of an order, record each item of information described in paragraph (d) of this Rule that applies with respect to such modification, cancellation, or execution.

(2) Each required record of the time of an event shall be expressed in terms of hours, minutes, and seconds.

(3) Each Reporting Member shall, by the end of each business day, record each item of information required to be recorded under this Rule in such electronic form as is prescribed by Nasdaq from time to time.

(4) Maintaining and Preserving Records

(A) Each Reporting Member shall maintain and preserve records

of the information required to be recorded under this Rule for the period of time and accessibility specified in SEC Rule 17a-4(b).

(B) The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on "micrographic media" as defined in SEC Rule 17a-4(f)(1)(i) or by means of "electronic storage media" as defined in SEC Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEC Rule 17a-4(f) and be maintained and preserved for the required time in that form.

(b) Order Origination and Receipt

Unless otherwise indicated, the following order information must be recorded under this Rule when an order is received or originated.

(1) an order identifier meeting such parameters as may be prescribed by Nasdaq assigned to the order by the Reporting Member that uniquely identifies the order for the date it was received;

(2) the identification symbol assigned by Nasdaq to the security to which the order applies;

(3) the market participant symbol assigned by Nasdaq to the Reporting Member;

(4) the identification of any department or the identification number of any terminal where an order is received directly from a customer;

(5) where the order is originated by a Reporting Member, the identification of the department of the member that originates the order;

(6) where the Reporting Member is a party to an agreement described in Rule 6955(c), the identification of the Reporting Agent;

(7) the number of shares to which the order applies;

(8) the designation of the order as a buy or sell order;

(9) the designation of the order as a short sale order;

(10) the designation of the order as a market order, limit order, stop order or stop limit order;

(11) any limit or stop price prescribed in the order;

(12) the date on which the order expires, and, if the time in force is less

than one day, the time when the order expires;

(13) the time limit during which the order is in force;

(14) any request by a customer that an order not be displayed, or that a block size order be displayed, pursuant to SEC Rule 11Ac1-4(c);

(15) special handling requests, specified by Nasdaq for purposes of this Rule;

(16) the date and time the order is originated or received by a Reporting Member;

(17) an identification of the order as related to a Program Trade or an Index Arbitrage Trade; and

(18) the type of account, i.e., retail, wholesale, employee, proprietary, or any other type of account designated by Nasdaq, for which the order is submitted.

(c) Order Transmittal

Order information required to be recorded under this Rule when an order is transmitted includes the following.

(1) When a Reporting Member transmits an order to another department within the member, other than to the trading department, the Reporting Member shall record:

(A) the order identifier assigned to the order by the Reporting Member,

(B) the market participant symbol assigned by Nasdaq to the Reporting Member,

(C) the date the order was first originated or received by the Reporting Member,

(D) an identification of the department to which the order was transmitted, and

(E) the date and time the order was received by that department;

(2) When a member electronically transmits an order to another member, other than an order transmitted electronically for execution on an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) the order identifier assigned to the order by the Reporting Member,

(ii) the market participant symbol assigned by Nasdaq to the Reporting Member,

(iii) the market participant symbol assigned by Nasdaq to the member to which the order is transmitted,

(iv) the date the order was first originated or received by the Reporting Member,

(v) the date and time the order is transmitted, and (vi) the number of shares to which the transmission applies; and

(B) the receiving Reporting Member shall record, in addition to all other information items in Rule 6954(b) that apply with respect to such order:

(i) the order identifier assigned to the order by the member that transmits the order and

(ii) the market participant symbol assigned by Nasdaq to the member that transmits the order.

(3) When a member electronically transmits an order for execution on an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) the fact that the order was transmitted to an Electronic Communications Network,

(ii) the order identifier assigned to the order by the Reporting Member,

(iii) the market participant symbol assigned by Nasdaq to the Reporting Member,

(iv) the market participant symbol assigned by Nasdaq to the member to which the order is transmitted,

(v) the date the order was first originated or received by the Reporting Member,

(vi) the date and time the order is transmitted, and

(vii) the number of shares to which the transmission applies; and

(B) the receiving Reporting Member operating the Electronic Communications Network shall record:

(i) the fact that the order was received by an Electronic Communications Network,

(ii) the market participant symbol assigned by Nasdaq to the transmitting Reporting Member, and

(iii) other information items in Rule 6954(b) that apply with respect to such order, which must include information items (1), (2), (3), (6), (7), (8), (10), (11), (12), (13), (15), and (16).

(4) When a member manually transmits an order to another member, other than to an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) the fact that the order was transmitted manually,

(ii) the order identifier assigned to the order by the Reporting Member,

(iii) the market participant symbol assigned by Nasdaq to the Reporting Member,

(iv) the market participant symbol assigned by Nasdaq to the member to which the order is transmitted,

(v) the date the order was first originated or received by the Reporting Member,

(vi) the date and time the order is transmitted,

(vii) the number of shares to which the transmission applies, and

(viii) for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member; and

(B) the receiving Reporting Member shall record, in addition to all other information items in Rule 6954(b) that apply with respect to such order:

(i) the fact that the order was received manually and

(ii) the market participant symbol assigned by Nasdaq to the member that transmits the order.

(5) When a member manually transmits an order to an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) the fact that the order was transmitted manually,

(ii) the order identifier assigned to the order by the Reporting Member,

(iii) the market participant symbol assigned by Nasdaq to the Reporting Member,

(iv) the market participant symbol assigned by Nasdaq to the member to which the order is transmitted,

(v) the date the order was first originated or received by the Reporting Member,

(vi) the date and time the order is transmitted,

(vii) the number of shares to which the transmission applies, and

(viii) for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member; and

(B) the receiving Reporting Member shall record:

(i) the fact that the order was received manually,

(ii) the market participant symbol assigned by Nasdaq to the transmitting Reporting Member, and

(iii) other information items in Rule 6954(b) that apply with

respect to such order, which must include information items (1), (2), (3), (6), (7), (8), (10), (11), (12), (13), (15), and (16).

(6) When a member transmits an order to a non-member, the Reporting Member shall record:

(A) the fact that the order was transmitted to a non-member,

(B) the order identifier assigned to the order by the Reporting Member,

(C) the market participant symbol assigned by Nasdaq to the Reporting Member,

(D) the date the order was first originated or received by the Reporting Member,

(E) the date and time the order is transmitted,

(F) the number of shares to which the transmission applies, and

(G) for each manual order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member.

(d) Order Modifications, Cancellations, and Executions

Order information required to be recorded under this Rule when an order is modified, canceled, or executed includes the following.

(1) When a Reporting Member modifies or receives a modification to the terms of the order, the Reporting Member shall record, in addition to all other applicable information items (including a new order identifier) that would apply as if the modified order were originated or received at the time of the modification:

(A) the order identifier assigned to the order by the Reporting Member prior to the modification,

(B) the date and time the modification was originated or received, and

(C) the date the order was first originated or received by the Reporting Member.

(2) When the Reporting Member cancels or receives a cancellation of an

order, in whole or part, the Reporting Member shall record:

(A) the order identifier assigned to the order by the Reporting Member,

(B) the market participant symbol assigned by Nasdaq to the Reporting member,

(C) the date the order was first originated or received by the Reporting Member,

(D) the date and time the cancellation was originated or received,

(E) if the open balance of an order is canceled after a partial execution, the number of shares canceled, and

(F) whether the order was canceled on the instruction of a customer or the Reporting Member.

(3) When a Reporting Member executes an order, in whole or in part, the Reporting Member shall record:

(A) the order identifier assigned to the order by the Reporting Member,

(B) the market participant symbol assigned by Nasdaq to the Reporting Member,

(C) the date the order was first originated or received by the Reporting Member,

(D) the Reporting Member's number assigned for purposes of identifying transaction data in ACT,

(E) the designation of the order as fully or partially executed,

(F) the number of shares to which a partial execution applies and the number of unexecuted shares remaining,

(G) the identification number of the terminal where the order was executed; and

(H) the date and time of execution.

Selected NASD Notices to Members: 98-33, 98-73

6955. Order Data Transmission Requirements**(a) General Requirement**

All applicable order information required to be recorded under Rule 6954 shall be transmitted to the Order Audit Trail System by each Reporting Member or by a Reporting Agent pursuant to an agreement described by paragraph (c) of this Rule.

(b) Method of Transmitting Data

(1) Order information shall be transmitted in electronic form, as may be prescribed by Nasdaq from time to time, to a receiving location designated by Nasdaq.

(2) Each Reporting Member shall transmit to the Order Audit Trail System a report containing each applicable item of order information identified in Rule 6954(b), (c), and (d) whenever an order is originated, received, transmitted to another department within the member or to another member, modified, canceled, or executed. Each report shall be transmitted on the day such event occurred, or with respect to any such information that is not available on such day, on the day that such information first becomes available. Order information reports may be aggregated into one or more transmissions, during such business hours as may be prescribed by Nasdaq.

(c) Reporting Agent Agreements

(1) Any Reporting Member may enter into an agreement with a Reporting Agent pursuant to which the Reporting Agent agrees to fulfill the obligations of such Reporting Member under this Rule. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Rule.

(2) All written documents evidencing an agreement described in subparagraph (1) shall be maintained by each party to the agreement.

(3) Each Reporting Member remains primarily responsible for compliance with the requirements of this rule, notwithstanding the existence of an agreement described in this paragraph.

Selected NASD Notice to Members: 98-33

6956. Violation of Order Audit Trail System Rules

Failure of a member or person associated with a member to comply with any of the requirements of Rule 6951 through Rule 6957 may be considered conduct that is inconsistent with high standards of commercial honor and just and equitable principles of

trade, in violation of Rule 2110.

Selected NASD Notice to Members: 98-33

6957. Effective Date

The requirements of the Order Audit Trail System shall be effective in accordance with the following schedule:

(a) Clocks

The requirements of Rule 6953 shall be effective on August 7, 1998, for all computer system clocks and on July 1, 1999, for all mechanical clocks.

(b) Electronic Orders

With respect to electronic orders, the requirements of the Order Audit Trail System shall be effective on:

(1) March 1, 1999, for electronic orders received by Electronic Communications Networks and electronic orders received at the trading department of a member that is a market maker in the securities that are the subject of the orders, provided that market makers shall be required to report information item (18) specified in Rule 6954(b) only to the extent such item is available to the market maker and shall not be required to record and report information item (5) specified in Rule 6954(b) and information items (2)(A), (2)(B)(i), (3)(A), (4)(A), and (5)(A) specified in Rule 6954(c) with respect to such orders; and

(2) August 1, 1999, for all electronic orders, at which time all information items specified in Rules 6954(b), (c), and (d) shall be required to be recorded and reported with respect to such orders.

(c) Manual Orders

The requirements of the Order Audit Trail System shall be effective on December 15, 2000, for all manual orders, provided that firms shall be required to report information item (18) specified in Rule 6954(b) only to the extent such item is available to them and shall not be required to record and report information items (4) and (5) specified in Rule 6954(b) and information item (1) specified in Rule 6954(c).

(d) Rule 3110

The requirements of Rule 3110(h)(1)(A) and Rule 3110(h)(1)(B) shall be effective

on March 1, 1999, and the requirements of Rule 3110(h)(1)(C) shall be effective on December 15, 2000. The requirements of Rule 3110(h)(2) and Rule 3110(h)(3) shall be effective on March 1, 1999.

Selected NASD Notices to Members: 98-33, 98-73

ⁱ (1) On February 28, 1992, the Commission granted a request to create a limited exemption from SEC Rule 15c2-11 that permits a broker/dealer to publish in or submit to a quotation medium quotations for a security immediately after such security is no longer authorized for quotation in Nasdaq, without having information specified by that Rule. This exemption is only available if all the following conditions are satisfied:

(a) the security's removal was attributable solely to the issuer's failure to satisfy the revised maintenance standards approved in Release No. 34-29638 (August 30, 1991);

(b) the security must have been quoted continuously in Nasdaq during the thirty calendar days preceding its delisting, exclusive of any trading halt not exceeding one day to permit the dissemination of material news concerning the security's issuer;

(c) the issuer must not be the subject of bankruptcy proceedings;

(d) the issuer must be current in its reporting pursuant to Section 13(a) or 15(d) of the Act; and

(e) a broker/dealer relying upon this exemption must have been a market maker registered with Nasdaq in the security during the thirty day period preceding its removal from Nasdaq.

(2) By letter dated December 20, 1993, the Commission granted a request for a limited exemption from SEC Rule 15c2-11 under the Act for broker/dealers that publish or submit quotations for publication in the predecessor to the Bulletin Board (The NASD's OTC Bulletin Board Service) Service for certain OTC equity securities. This exemption is not available for American Depositary Receipts or OTC equities issued by a foreign private issuer, within the meaning of SEC Rule 3b-4. Regarding domestic OTC equities, the exemption is available to a broker/dealer, subject to the following conditions at the time such broker/dealer submits or initiates quotations in the Bulletin Board:

(a) The security is eligible for piggybacking pursuant to SEC Rule 15c2-11(f)(3) in another interdealer quotation system;

(b) A broker/dealer relying upon this exemption must itself have published quotations in the security in that interdealer quotation system on at least 12 business days during the preceding 30 calendar days, with not more than four consecutive business days without quotations;

(c) The issuer of the security is not the subject of bankruptcy proceedings;

(d) The issuer of the security is not delinquent in any of its reporting obligations under the Act or rules thereunder, if subject to Section 13(a) or 15(d) of the Act; and

(e) If at any time the Commission subsequently suspends trading in a Bulletin Board eligible equity security pursuant to Section 12(k) of the Act, no broker or dealer will initiate or resume quotations in that security in the Bulletin Board unless the broker/dealer complies with SEC Rule 15c2-11.

ii The non-firm or indicative nature of a priced entry in a foreign or ADR issue is specifically identified on the montage of market maker quotations accessible through the Nasdaq Workstation service for this subset of Bulletin Board-eligible securities.

iii Examples of entries that would be considered an update include a market maker inserting a new, non-firm priced quotation, substituting an unpriced indication for a non-firm priced entry, or an initial registration without a price.

iv The Bulletin Board can accept bids/offers expressed in fractions as small as $1/256$ or in decimals up to six places. In applying the price test for minimum quotation size, any increment beyond an upper limit in the right hand column will trigger application of the minimum quote size for the next tier. For example, a bid (or offer) of \$.505 must be firm for a size of 2,500 shares.