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October 11, 2002

David M. Battan  
Associate General Counsel  
Timber Hill LLC  
Two Pickwick Plaza  
Greenwich, CT 06830

**Re: IM 4613 – Computer Generated Quoting**

Dear Mr. Battan:

On June 10, 2002, The Nasdaq Stock Market issued an interpretation to Timber Hill that its Computer Generated Quoting system is consistent with IM 4613.<sup>1</sup> This interpretive relief expires on the date before Nasdaq begins operating the Nasdaq Order Display Facility (commonly known as SuperMontage). Nasdaq will implement SuperMontage beginning on October 14, 2002.

This letter responds to your letter dated October 10, 2002, in which you request an extension of the interpretation. In support of your request, you confirm that Timber Hill's Computer Generated Quoting system continues to operate in the manner described in Timber Hill's letter dated April 4, 2002. On the basis of this representation and the discussion below, Timber Hill can continue to utilize its Computer Generated Quoting system during the phase-in of SuperMontage. The phase-in period is the period of time during which Nasdaq simultaneously will operate SuperSoes and SuperMontage. This period is scheduled to end on December 2, 2002.<sup>2</sup>

Please note that Timber Hill's use of this system remains subject to all the conditions contained in Nasdaq's June 10, 2002 letter, and we specifically

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<sup>1</sup> The term "Computer Generate Quoting" is defined in IM 4613(c).

<sup>2</sup> The extension of the interpretation only through the phase-in period is designed to allow Nasdaq to gain experience with Computer Generated Quoting in a SuperMontage environment. The decision whether to allow Computer Generated Quoting beyond the phase in period will be made after a careful analysis of the implementation of SuperMontage. Timber Hill, and other firms permitted to utilize Computer Generated Quoting systems, will be notified of Nasdaq's decision as soon as possible.

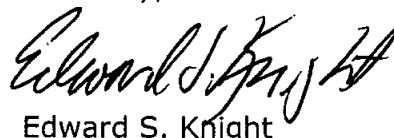
incorporate these conditions herein by this reference. In addition, the June 10<sup>th</sup> interpretive relief, and the decision to extend the interpretive relief, is based solely on your representations and the facts presented by you to the staff, as well as Nasdaq's belief that providing Timber Hill with this interpretation will enhance market liquidity and serve the public interest. This interpretation is strictly limited to the application of NASD IM-4613 to Timber Hill's system described in its letter dated April 4, 2002. In the event that any material change occurs with respect to any of those facts or representations as they relate to NASD IM-4613, you should immediately inform Nasdaq staff.

This interpretive relief is subject to modification or revocation if at any time Nasdaq determines that such action is necessary or appropriate in furtherance of applicable laws or NASD rules. Moreover, the interpretation may be revoked or modified, if Nasdaq determines that Timber Hill's computer generated quotation practices are having a material adverse impact on Nasdaq's systems capacity, such action is necessary for maintenance of fair and honest markets and the protection of investors, or that Timber Hill has not complied with any of the conditions described above. Nasdaq also may limit or terminate Timber Hill's ability to enter computer generated quotes. As you know, Nasdaq and NASD monitor for compliance with the conditions contained in this interpretive relief.

The opinions expressed herein are staff opinions only and have not been reviewed or endorsed by the board of Directors of Nasdaq or NASD Regulation, or the Board of Governors of the NASD. This letter responds only to the issues that you have raised, based on the facts as described, and does not address any other rule or interpretation of the NASD, or other regulatory or legal issues.

If you have any questions, please feel free to call me at 202-728-8212, or Peter R. Geraghty, Associate General Counsel, Nasdaq, at 202-728-8227.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward S. Knight". The signature is written in a cursive, slightly slanted style.

Edward S. Knight