



Edward S. Knight
Executive Vice President and General Counsel

June 10, 2002

Richard J. McDonald
Compliance Director
Susquehanna Capital Group
401 City Avenue, Suite 220
Bala Cynwyd, PA 19004-1188

Re: **IM 4613: Autoquoting Restriction**

Dear Mr. McDonald:

On April 23, 2002, staff of The Nasdaq Stock Market, Inc. ("Nasdaq") responded to your letters dated January 3rd and 24th, 2002, concerning Susquehanna Capital Group's ("SCG") computer-generated quotation algorithm and NASD Interpretive Material 4613, Nasdaq's policy concerning autoquoting.¹ In its letter, staff indicated its belief that SCG's use of the system described was consistent with IM 4613, subject to certain limitations and conditions. In addition, Nasdaq stated that its interpretation was subject modification.

As recently discussed with staff of SCG, Nasdaq is modifying the terms of the April 23rd letter. The letter contains several conditions, including limitations with respect the number of quotes that SCG can submit to Nasdaq during a specified period of time and the length of time a quote must be sustained.² Nasdaq is eliminating the requirement

¹ Letter from Edward S. Knight, Executive Vice President and General Counsel, Nasdaq, to Richard J. McDonald, Compliance Director, Susquehanna, dated April 23, 2002.

² SCG's quoting activity is limited as follows:

From 9:30 a.m. to 9:35 a.m. Eastern Time and from 3:55 p.m. to 4:00 p.m. Eastern Time, SCG's quote updates will not exceed the following parameters:

- 30 quotes per second in aggregate for all securities, measured over each 15 second interval; and
- a maximum of one quote per second for each security, measured over each 15 second interval, with each quote update being sustained for at least one second; and

From 9:35:01 a.m. to 3:54:59 p.m. Eastern Time, SCG's quote updates will not exceed the following parameters:

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that a quote be sustained "for at least one second," and is replacing it with a requirement that SCG not exceed three quotes per second for each security. Please note that this revised maximum quote update rate is measured per second, whereas the previous limitation was measured in 15 second intervals.

The language below replaces in its entirety conditions five and six in the April 23rd letter. However, all other conditions contained in that letter remain in full effect.

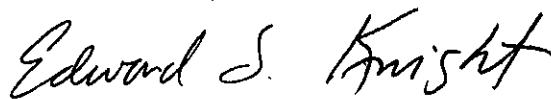
* * *

- (5) From 9:30 a.m. to 9:35 a.m. Eastern Time and from 3:55 p.m. to 4:00 p.m. Eastern Time, SCG's quote updates will not exceed the following parameters:
- 30 quotes per second in aggregate for all securities, measured over each 15 second interval; and
 - a maximum of three quote updates per second for each security; and
- (6) From 9:35:01 a.m. to 3:54:59 p.m. Eastern Time, SCG's quote updates will not exceed the following parameters:
- 50 quotes per second in aggregate for all securities, measured over each 15 second interval; and
 - a maximum of three quote updates per second for each security.

* * *

If you have any questions, please feel free to call me at 202-728-8212.

Sincerely,



Edward S. Knight

Attachment

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- 50 quotes per second in aggregate for all securities, measured over each 15 second interval; and
 - a maximum of one quote per second for each security, measured over each 15 second interval, with each quote update being sustained for at least one second.