

INFORMATIONAL

Decimalization

**Nasdaq Decimalization
Testing & Decimalization
Implementation Phase-In
Plan****SUGGESTED ROUTING**

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Legal & Compliance
- Operations
- Registered Representatives
- Senior Management
- Technology
- Trading & Market Making

KEY TOPICS

- Decimalization

Executive Summary

Initial plans for Nasdaq® decimalization testing are included in this *Notice to Members*. Also, a summary is provided of the industry critical dates.

Questions/Further Information

Questions regarding this *Notice to Members* may be directed to the National Association of Securities Dealers, Inc. (NASD®) Decimalization Program Management Office (DPMO) toll free at: (888) 227-1330 or via e-mail at decimals@nasd.com.

For the most recent decimalization news and developments, visit the NASD Web Site (www.nasd.com) and click on the decimalization link. Additional decimalization information is available on the Securities Industry Association (SIA) Web Site (www.sia.com).

**Nasdaq Decimalization
Testing**

In accordance with NASD Rule 3420, some market makers and clearing firms must conduct decimalization testing. Selected firms will be notified in December 2000 by the NASD and will be given more information at that time on their testing requirements.

Point-to-Point – Limited point-to-point testing will begin mid-December 2000 with full testing beginning January 2001 and continuing through April 6, 2001.

Extended Point-to-Point – Testing will take place on January 27 and February 10, 2001. In order to participate, firms will need to successfully complete point-to-point testing and will be required to register at least 48 hours in advance. Testing will be scripted in the morning, and unscripted in the afternoon.

Full testing information will be available by December 1, 2000.

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NASD & Exchanges' Decimalization Implementation Plan

On July 24, 2000, the national securities exchanges and the NASD submitted a comprehensive phase-in plan for decimal pricing in equity securities and options.

Details of the plan are shown in the table below.

To view the complete plan, visit the Securities and Exchange Commission (SEC) Web Site located at www.sec.gov (<http://www.sec.gov/rules/other/decimalp.htm>).

The SEC has not given final approval to the plan.

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<u>Checkpoint/Phase</u>	<u>Action</u>	<u>Date</u>
Checkpoint I	Pre-Implementation Evaluation	August 15, 2000
Phase I	Limited Exchange-Listed Issues and Options	August 28, 2000
Checkpoint II	Determine Readiness for Additional Exchange-Listed Issues and Options	September 19, 2000
Phase IIA	Additional Exchange-Listed Issues and Options	September 25, 2000
Checkpoint III	Determine Readiness for Full Implementation of Exchange-Listed Issues and/or All Options	November 1, 2000
Phase IIB	Full Conversion Exchange-Listed Issues and/or All Options	November 2000 – April 2001
Checkpoint IV	Limited Nasdaq Issues	March 5, 2001
Phase III	Limited Nasdaq Issues	On or before March 12, 2001
Checkpoint V	Determine Readiness for All Markets, Full Implementation	April 2, 2001
Phase IV	All Markets, Full Implementation	On or before April 9, 2001