

INFORMATIONAL

Decimalization

**NASD And Exchanges
Submit Decimalization
Plan To The SEC****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
- Options
- Registered Representatives
- Senior Management
- Technology
- Trading & Market Making

KEY TOPICS

- Decimalization

Executive Summary

The National Association of Securities Dealers, Inc. (NASD®) and the exchanges recently submitted a decimalization plan to the Securities and Exchange Commission (SEC). The plan has not yet been approved by the SEC.

Members are reminded to prepare their own written decimalization plans that address their conversion to decimal pricing.

Questions/Further Information

Questions regarding this *Notice* should be directed to the Decimalization Program Management Office 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's (SIA) Web Site, located at www.sia.com.

**NASD & Exchanges'
Decimalization Plan**

On July 24, 2000, the NASD and the exchanges submitted their decimalization plan to the SEC as requested in an order issued by the SEC on June 8, 2000. The plan calls for a four-part, phased-in implementation of decimal pricing with the first phase beginning on August 28, 2000 (this phase would consist of decimal pricing to begin in 13 exchange-listed securities and their options on August 28, 2000), and full implementation of decimal pricing for all equities and options on or before April 9, 2001. The plan is awaiting final approval from the SEC.

**Members' Decimalization
Plans**

Member firms are reminded to prepare a written decimalization plan. Each member firm should have a written plan that addresses its strategy for ensuring that it will be able to quote, trade, display, and store information in decimals. A decimalization plan should include, but not be limited to, the following:

1. An inventory and assessment of systems impacted by decimalization (both internal and external).
Recommended completion date: July 3, 2000.
2. A remediation plan for those systems impacted by decimalization. Such remediation plans should address both decimal formatting as well as system processing capacity.
Recommended completion date: December 15, 2000.
3. Testing plans (both internal and external). Again, such testing plans should address both decimal formatting as well as system processing capacity and should include participation in industry-wide testing if possible.
Recommended completion date: December 15, 2000.
4. Verification of third-party vendor decimalization readiness (e.g., market data vendors, clearing agents, back-office systems, etc.).
Recommended completion date: December 15, 2000.
5. Customer notification plans. This component should be an ongoing event.

This is a general outline of the basic expectation for members'

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decimalization plans; each member should consider the appropriate size, scope, and depth of its own decimalization plan. In addition, the recommended completion dates listed above are intended for member firms that are preparing for

Nasdaq decimalization. Member firms that participate in the intermarket (formerly known as the third market) should plan to prepare for the proposed phased-in period mentioned above which would begin on August 28, 2000.

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