

NASD Notice to Members 99-42

NASD Offers Guidance On Complying With Notice Requirements Of New SEC Rule Regarding Alternative Trading Systems

Suggested Routing

- Senior Management
- Advertising
- Continuing Education
- Corporate Finance
- Executive Representatives
- Government Securities
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- Internal Audit
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- Municipal
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- Trading
- Training
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Executive Summary

On April 21, 1999, Securities and Exchange Commission (SEC) Rules 3a1-1, 3b-16, and Regulation Alternative Trading System (Regulation ATS) became effective. Rule 301(b)(2) of Regulation ATS requires alternative trading systems (ATS) to comply with certain notice provisions. Specifically, duplicate originals of certain reports that must be filed with the SEC pursuant to Regulation ATS must also be filed simultaneously with the National Association of Securities Dealers, Inc. (NASD[®]) if the NASD is the designated examining authority (DEA) for the ATS.

Questions regarding this *Notice* may be directed to Patricia Casimates, Assistant Director, Market Regulation Department, NASD Regulation, Inc., (NASD Regulation[®]), at (301) 590-6447.

Reg ATS Notice Requirements Initial Operation Report On Form ATS

At least 20 days prior to commencing operation as an ATS, the ATS must file an initial operation report on Form ATS in accordance with the instructions therein. If the ATS is currently operating as of April 21, 1999, the initial operating report should have been filed no later than May 11, 1999.

Amendments To Form ATS

At least 20 calendar days prior to implementing a material change to the operation of the ATS, the ATS must file an amendment on Form ATS. Additionally, if any information contained in the initial operation report becomes inaccurate for any reason and has not been previously

reported to the SEC as an amendment on Form ATS, the ATS must file an amendment on Form ATS correcting such information within 30 calendar days after the end of each calendar quarter in which the ATS has operated. Moreover, an ATS must promptly file an amendment on Form ATS correcting information previously reported on Form ATS after discovery that any information previously filed was inaccurate when filed.

Cessation Of Operations Report On Form ATS

Upon ceasing to operate as an ATS, the ATS shall promptly file a cessation of operations report on Form ATS in accordance with the form's instructions.

Filing Of Form ATS And Amendments

All the reports described above should be filed with:

U.S. Securities & Exchange
Commission
Division of Market Regulation
Stop 10-2, 450 5th Street, N.W.
Washington, D.C. 20549

All reports are considered filed upon receipt by the SEC.

If the NASD is the DEA for the ATS, duplicate originals of these reports must also be filed with the NASD¹ by mailing the documents to:

Form ATS Maintenance Coordinator
Market Regulation Department
9513 Key West Avenue
Rockville, Maryland 20850

All the above described reports are deemed confidential when filed.

Endnote

¹Pursuant to SEC Regulation ATS, Rule 301(b)(9), an ATS must also file certain summary transaction information required by Form ATS-R within 30 calendar days after the end of each calendar quarter and 10 calendar days after the ATS ceases to operate. Originals of these reports should be filed

only with the SEC. Duplicates should be provided to the NASD or other DEA only upon request.

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