

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43344; File No. SR-NASD-00-23]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 by the National Association of Securities Dealers, Inc. Relating to Amendments to Order Audit Trail System Rules

September 26, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 19, 2000, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, NASD Regulation, Inc. ("NASD Regulation"), filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by NASD Regulation. On September 5, 2000, NASD Regulation amended its proposal.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASD Regulation is proposing to amend NASD Rules 6951, 6954, 6955 and 9610. The proposed rule change would: (1) provide that the time of order origination and receipt for an electronic order is the time the order is captured by a member's electronic order-routing or execution system; for a manual order that is fewer than 10,000 shares, the time of order origination and receipt is the time the order is received by the

member's trading desk or trading department for execution or routing purposes; and for a manual order that is 10,000 shares or greater, the time of order origination and receipt is the time the order is received by the member from the customer; (2) exclude certain members from the definition of "Reporting Member" for those orders that meet specified conditions and are recorded and reported to the Order Audit Trail System ("OATS") by another member; (3) require any receiving reporting member, including electronic communications networks ("ECNs"), that receive routed orders, electronically or manually, to capture and report a routed order identifier; and (4) permit NASD Regulation to grant exemptive relief from the OATS reporting requirements to members that meet specified criteria.

The text of the proposed rule change follows. Proposed new rule language is in italics; proposed deletions are in brackets.

#### NASD Systems and Programs

##### 6950. Order Audit Trail System

##### 6951. Definitions

For purposes of Rules 6950 through 6957:

(a) through (m) No Change.  
(n) "Reporting Member" shall mean a member that receives or originates an order and has an obligation to record and report information under Rules 6954 and 6955. *A member shall not be considered a Reporting Member in connection with an order, if the following conditions are met:*

*(1) the member engages in non-discretionary order routing process, pursuant to which it immediately routes, by electronic or other means, all of its orders to receiving Reporting Member;*

*(2) the members does not direct and does not maintain control over subsequent routing or execution by the receiving Reporting Member;*

*(3) the receiving Reporting Member records and reports all information required under Rules 6954 and 6955 with respect to the orders; and*

*(4) the member has a written agreement with the receiving Reporting Members specifying the respective functions and responsibilities of each part to affect full compliance with the requirements of Rules 6954 and 6955.*

##### 6954. Recording of Order Information

(a) No Change.  
(b) Order Origination and Receipt.  
Unless otherwise indicated, the following order information must be recorded under this Rule when an order is received or originated. *For purpose of this Rule, the order origination and receipt time for an electronic order is the time the order is captured by a member's electronic order-routing or*

*execution system; for a manual order that is fewer than 10,000 shares, the order origination and receipt time is the time the order is received by the member's trading desk or trading department for execution or further routing purposes; and for a manual order that is 10,000 shares or greater, the order origination and receipt time is the time the order is received by the member from the customer.*

(1) through (18) No Change.

(c) Order Transmittal.

Order information required to be recorded under this Rule when an order is transmitted includes the following.

(1) and (2) No Change.

(3) When a member electronically transmits an order for execution on an Electronic Communications Network:

(A) the transmitting Reporting Member and shall record:

(i) the fact that the order was transmitted to an Electronic Communications Network.

(ii) the order identifier assigned to the order by the Reporting Member.

(iii) the maker participant symbol assigned by the Association to the Reporting Member.

(iv) the market participant symbol assigned by the Association to the member to which the order is transmitted,

(v) the date the order was first originated or received by the Reporting Member,

(vi) the date and time the order is transmitted, and

(vii) the number of shares to which the transmission applies; and

(B) the receiving Reporting Member operating the Electronic Communications Network shall record:

(i) the fact that the order was received by an Electronic Communications Network,

(ii) the order identifier assigned to the order by the member that transmits the order,

(iii) [(ii)] the market participant symbol assigned by the Association to the transmitting Reporting Member, and

(iv) [(iii)] other information items in Rule 6954(b) that apply with respect to such order, which must include information items (1), (2), (3), (6), (7), (8), (10), (11), (12), (13), (15), and (16).

(4) When a member manually transmits an order to another member, other than to an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) the fact that the order was transmitted manually,

(ii) the order identifier assigned to the order by the Reporting Member,

(iii) the market participant symbol assigned by the Association to the Reporting Member,

(iv) the market participant symbol assigned by the Association to the member to which the order is transmitted,

(v) the date the order was first originated or received by the Reporting Member,

(vi) the date and time the order is transmitted,

(vii) the number of shares to which the transmission applies, and

(viii) for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member; and

(B) the receiving Reporting Member shall record, in addition to all other information

<sup>8</sup> 17 CFR 2000.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See letter from Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated September 5, 2000 ("Amendment No. 1"). Amendment No. 1 proposed substantive changes to the proposed rule language, including the definition of the time of receipt for manual block orders of 10,000 shares or greater, and the provisions for exemptive relief.

items in Rule 6954(b) that apply with respect to such order:

- (i) the fact that the order was received manually, [and]
- (ii) the order identifier assigned to the order by the member that transmits the order, and

(iii) [(ii)] the market participant symbol assigned by the Association to the member that transmits the order.

(5) When a member manually transmits an order to an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

- (i) the fact that the order was transmitted manually,
- (ii) the order identifier assigned to the order by the Reporting Member,
- (iii) the market participant symbol assigned by the Association to the Reporting Member,
- (iv) the market participant symbol assigned by the Association to the member to which the order is transmitted,

(v) the date the order was first originated or received by the Reporting Member,

(vi) the date and time the order is transmitted,

(vii) the number of shares to which the transmission applies, and

(viii) for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member; and

(B) the receiving Reporting Member shall record:

(i) the fact that the order was received manually,

(ii) the order identifier assigned to the order by the member that transmits the order,

(iii) [(ii)] the market participant symbol assigned by the Association to the transmitting Reporting Member, and

(iv) [(iii)] other information items in Rule 6954(b) that apply with respect to such order, which must include information items (1), (2), (3), (6), (7), (8), (10), (11), (12), (13), (15), and (16).

(6) No Change.

(d) No Change.

#### 6955. Order Data Transmission Requirements

(a) through (c) No Change

(d) Exemptions

(1) Pursuant to the Rule 9600 Series, the staff, for good cause shown after taking into consideration all relevant factors, may exempt, subject to specified terms and conditions, a member from the order data transmission requirements of this Rule for manual orders, if such exemption is consistent with the protection of investors and the public interest, and the member meets the following criteria:

(A) the member and current control affiliates and associated persons of the member have not been subject within the last five years to any disciplinary action, and within the last ten years to any disciplinary action involving fraud;

(B) the member has annual revenues of less than \$2 million;

(C) the member does not conduct any market making activities in Nasdaq Stock Market equity securities;

(D) the member does not execute principal transactions with its customers (with limited exception for principal transactions executed pursuant to error corrections); and

(E) the member does not conduct clearing or carrying activities for other firms.

(2) An exemption provided pursuant to this paragraph (d) shall not exceed a period of two years. At or prior to the expiration of a grant of exemptive relief under this paragraph (d), a member meeting the criteria set forth in paragraph (d)(1) may request, pursuant to the Rule 9600 Series, a subsequent exemption, which will be considered at the time of the request, consistent with the protection of investors and the public interest.

(3) This paragraph shall be in effect until [five years from the effective date of the proposed rule change].

\* \* \* \* \*

#### 9600. Procedures for Exemptions

##### 9610. Application

(a) Where to File

A member seeking an exemption from Rule 1021, 1022, 1070, 2210, 2320, 2340, 2520, 2710, 2720, 2810, 2850, 2851, 2860, Interpretive Material 2860-1, 3010(b)(2), 3020, 3210, 3230, 3350, 6955, 8211, 8212, 8213, 11870, or 11900, Interpretive Material 2110-1, or Municipal Securities Rulemaking Board Rule G-37 shall file a written application with the appropriate department or staff of the Association and provide a copy of the application to the Office of General Counsel of NASD Regulation.

(b) and (c) No Change.

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#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASD Regulation included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD Regulation has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

###### (a) Background

On March 6, 1998, the SEC approved NASD Order Audit Trail System ("OATS") Rules 6950 through 6957.<sup>4</sup> OATS provides a substantially

enhanced body of information regarding orders and transactions that improves NASD Regulation's ability to conduct surveillance and investigations of member firms for violations of federal securities laws and Association rules. In addition, OATS is intended to fulfill one of the undertakings contained in the order issued by the SEC relating to the settlement of an enforcement action against the NASD for failure to adequately enforce its rules.<sup>5</sup> Pursuant to the SEC Order, OATS is required, at a minimum, to: (1) Provide an accurate, time-sequenced record of orders and transactions, beginning with the receipt of an order at the first point of contact between the broker/dealer and the customer or counterparty and further documenting the life of the order through the process of execution; and (2) provide for market-wide synchronization of clocks used in connection with the recording of market events.<sup>6</sup>

In general, OATS imposes obligations on member firms to record in electronic form and to report to NASD Regulation on a daily basis certain information with respect to orders originated, received, transmitted, modified, canceled, or executed ("reportable events") by NASD members relating to Nasdaq Stock Market, Inc. ("Nasdaq") equity securities. OATS also requires member firms to synchronize their business clocks and to keep them continually synchronized with a specific time designated by the Association. OATS captures this order information reported by NASD members and integrates it with quote information and transaction information reported to the Automated Confirmation Transaction Service ("ACT")<sup>7</sup> to provide the Association with an accurate, time-sequenced record of orders, quotes, and transactions.

In addition to NASD Rules 6950 through 6957, NASD Rule 3110 imposes recordkeeping requirements on NASD members that are obligated to record and report information to the NASD under the OATS rules. With respect to an order that is received or executed at the member's trading department, the member is required to record the identification of the registered person who received the order directly from a customer and the identification of the person who executed the order at a market maker's trading desk. In

<sup>5</sup> See In the Matter of National Association of Securities Dealers, Inc., Exchange Act Release No. 37538 (August 8, 1996); Administrative Proceeding File No. 3-9056 ("SEC Order").

<sup>6</sup> *Id.*

<sup>7</sup> ACT is an automated system owned and operated by Nasdaq that captures transaction information in real-time.

<sup>4</sup> See Securities Exchange Act Release No. 39729 (March 6, 1998), 63 FR 12559 (March 13, 1998) ("OATS Approval Order").

addition, NASD Rule 3110 requires a member to record the identification of the department of the member that originated an order that is transmitted manually to another department within a member.

The effective date for OATS requirements are set forth in NASD Rule 6957, which provides for different phases of implementation. All members were required to synchronize their computer system clocks and all mechanical clocks that record times for regulatory purposes by August 7, 1998, and July 1, 1999, respectively. In addition, the implementation schedule required that electronic orders received at the trading department of a member that is a market maker in the subject securities and those received by electronic communications networks ("ECNs") be entered into OATS as of March 1, 1999 ("Phase One"). Not all information relating to electronic orders received by market makers was required to be reported to OATS during Phase One. Information items relating to all electronic orders, however, was required to be reported to OATS by August 1, 1999 ("Phase Two").

As of December 15, 2000, the OATS rules will apply to all manual orders ("Phase Three").<sup>8</sup> With respect to manual orders and all orders received by ECNs, however, the data required to be electronically recorded and transmitted to the OATS is limited to information that is expected to be readily available at the trading desk.<sup>9</sup>

<sup>8</sup> See Securities Exchange Act Release No. 43263 (September 8, 2000), 65 FR 55661 (September 14, 2000). On March 9, 2000, NASD Regulation filed a proposed amendment with the SEC for immediate effectiveness to extend the implementation date of Phase Three from July 31, 2000 to October 31, 2000. See Exchange Act Release No. 42515 (March 10, 2000), 65 FR 14638 (March 17, 2000). The purpose of these extensions is to provide NASD Regulation adequate time to analyze and consider the proposed changes described in the current proposal, and, in particular, those affecting Phase Three recording and reporting requirements.

<sup>9</sup> See OATS Approval Order, pp. 22–23, *supra* note 4. Specifically, with respect to manual orders, information item (18) (type of account for which the order is submitted) of NASD Rule 6954(b) would be required to be reported only to the extent that such information item is available. Information items (4) (identification of any department or the identification number of any terminal where an order is received) and (5) (identification of the department of the member originating an order) or Rule 6954(b) and information items under (1) (recordkeeping requirements for orders transmitted to another department within the member) specified in Rule 6954(c) would not be required to be recorded and reported with respect to manual orders. In addition, information items (4) (identification of any department or identification number of any terminal where an order is received), (5) (the identification of the department of the member that originates the order), (9) (the designation of the order as a short sale), (14) (any request by a customer that an order not be

The books and records requirements, set forth in NASD Rule 3110(h)(1)(A) and (B), pertaining to the identification of the registered representative who receives an order directly from a customer and the identification of each registered person who executes the order, became effective on March 1, 1999. The recordkeeping requirements, set forth in NASD Rule 3110(h)(1)(C), applicable to orders originated by a member and manually transmitted to another department within the member firm, will become effective on December 15, 2000.

Since the implementation of the OSTs requirements, NASD Regulation staff has been closely reviewing OATS activities with the goal of identifying ways in which to enhance the effectiveness of OATS as a regulatory tool. In this regard, NASD Regulation has identified certain changes to OATS that it believes will enhance NASD Regulation's automated surveillance for compliance with trading and market making rules such as the NASD's Limit Order Protection Interpretation, the SEC's Order Handling Rules, and a member firm's best execution obligations. These rule changes will, at the same time, eliminate the reporting of duplicative information and reduce the regulatory burdens on member firms, particularly certain smaller member firms.

#### (b) Current Proposal

##### (1) Change to Time of Receipt of Order

NASD Rule 6954 requires certain identifying information to be recorded at various critical points during the life of an order. In addition to uniquely identifying the order, this information assists NASD Regulation in carrying out its regulatory responsibilities with respect to that order. In general, the required information items relate to: (1) the origin of an order (*i.e.*, in-house, customer, or another member); (2) whether the member relies upon a Reporting Agent to fulfill its reporting obligations; (3) how the order was received (*i.e.* manually or electronically); (4) the items of the order; (5) whether the order was transmitted for execution to another department within the member (other than to the trading department), to another member, or to an ECN, and how it was transmitted (*i.e.*, manually or

electronically); and (6) whether the order was modified, canceled, or executed.

electronically); and (6) whether the order was modified, canceled, or executed.

NASD Rule 6954(b) requires certain information to be recorded when an order is received or originated. For electronic orders, the proposed rule change would codify the staff's current position that the order origination and receipt time is the time the order is captured by a member's electronic order-routing or execution system. NASD Regulation believes that this definition of time of receipt is a close substitute for the time an order is received by the trading desk because routing through the electronic system to the trading desk is nearly instantaneous.

Once the OATS rules are fully phased in on December 15, 2000, manual orders, whether recorded at a market maker trading desk or at another location, will be subject to all the recording and reporting requirements. Currently, the time of receipt recorded and reported to OATS is the time the firm receives the order from a customer.<sup>10</sup> Although the actual time a manual order is received by a firm is useful for certain regulatory purposes, it is of little value to NASD Regulation's Market Regulation Department's automated surveillance for identifying potential violations of NASD IM 2110–2 (the limit order protection rule), Rule 11Ac1–4 under the Exchange Act (limit order display rule), and NASD Rule 2320 (best execution obligations). In many instances, the more useful time for these purposes is the time the order is received by the trading desk or trading department. Accordingly, NASD Regulation is proposing to amend Rule 6954(b) to require the time of receipt to be recorded and reported by a member firm to OATS for a manual order that is fewer than 10,000 shares to be the time the order is received by the member's trading desk or trading department for execution or routing purposes. For a manual order that is 10,000 shares or greater, the time of receipt required to be recorded and reported would continue to be the time the order is received by the member from the customer.<sup>11</sup>

<sup>10</sup> If an order is received and then immediately entered into an electronic system, the time the order is captured by such system has been interpreted to be the time of receipt. See OATS Reporting Technical Specifications, Section 4.1.3.

<sup>11</sup> Because certain order handling rules may apply differently to block orders of 10,000 shares or greater, the proposed rule change defines the time of receipt differently depending on the size of the order. For example, members may attach terms and conditions to certain block orders of 10,000 shares or greater for purposes of the limit order protection rule, such orders excepted from the limit order display rule unless a customer expressly requests otherwise.

NASD Regulation believes that, for electronic orders and manual orders for fewer than 10,000 shares, the time the order is received at the trading desk or trading department is the most relevant time and will provide the best indicator for NASD Regulation's automated surveillance systems to review for compliance with applicable rules. In addition, NASD Regulations believes the proposed rule change will reduce the burden of reprogramming reporting systems for Phase Three requirements, as well as the cost of manually inputting these times for orders not directly inputted into an electronic order handling system, while still substantially fulfilling the undertakings contained in the SEC Order.

Notwithstanding this proposed rule change to the OATS rules, NASD Regulation recognizes the importance of capturing the time the order was actually received from the customer to determine if there are any inordinate delays in transmitting the order to the trading desk. In this regard, all firms must continue to capture and retain the time an order was received from a customer (if different than the time the order was entered into an electronic system) under Rule 17a-3(a)(6) of the Exchange Act.<sup>12</sup> This information is available to NASD Regulation staff as part of its investigatory process and is used during field examinations of member firms to determine, among other things, how promptly the firm transmits its orders for execution.

#### (2) Exclusion from OATS Reporting for Certain Members

Certain members engage in a non-discretionary order routing process whereby, immediately after receipt of a customer order, the member routes the order, by electronic or other means, to another member ("receiving member") for further routing or execution at the receiving member's discretion. Currently, the OATS rules require both the member with whom the order originated and the receiving member to create and report new order reports and possibly route reports. This results in the receipt of duplicative information by OATS. In such instances, therefore, NASD Regulation is proposing that the OATS rules be amended to require, in such instances, that only the receiving member report OATS data. Under the proposed rule change to NASD Rule 6951(n), a member would not be required to report OATS data regarding an order, if the following conditions are met:

(1) the member engages in a non-discretionary order routing process, pursuant to which it immediately routes, by electronic or other means, all of its orders to a receiving Reporting Member;<sup>13</sup>

(2) the member does not direct or maintain control over subsequent routing or execution by the receiving Reporting Member;

(3) the receiving Reporting Member records and reports all information required under NASD Rules 6954 and 6955 with respect to the order; and

(4) the member has a written agreement with the receiving Reporting Member specifying the respective functions and responsibilities of each party to effect full compliance with the requirements of NASD Rules 6954 and 6955.

In addition to eliminating the reporting of duplicative information to OATS, NASD Regulation believes the proposed rule change will reduce the regulatory burdens on members, particularly smaller members, that route all their orders to another Reporting Member by means of a non-discretionary order routing process, for execution or further routing purposes.<sup>14</sup>

#### (3) Capturing Routed Order Information

OATS has the capability of tracking the history of an order by linking it across firms through the use of a routed order identifier. If the order does not contain a routed order identifier, the order cannot be linked to subsequent actions, such as further routing or execution by other firms or Nasdaq systems. In this regard, the complete history of a significant percentage of orders are not tracked because the OATS rules do not require any receiving Reporting Member to capture and report a routed order identifier if the order is routed to it manually. OATS rules also do not currently require ECNs to capture and report a routed order identifier for orders routed to the ECN manually or electronically. Given the current level of participation of ECNs, the linking of these orders is essential if OATS is to capture the life cycle of orders for Nasdaq securities. Therefore, NASD Regulation is proposing new provisions to Rule 6954(c) that will require firms and ECNs to capture and report the transmitting Reporting Member's unique identifier for all routed orders. NASD

<sup>13</sup> If any delay results in the routing of an order due to systems problems or other reasons, the member with whom the order originated would be required to report OATS data.

<sup>14</sup> This exclusion would not change a member's requirement to capture and retain the time an order was received from a customer under Rule 17a-3(a)(6) or the Exchange Act. 17 CFR 240.17a-3(a)(6).

Regulation anticipates a "phase-in" period for implementation of this proposed rule change to provide adequate time for necessary systems and procedures changes.

#### (4) Exemptive Relief

Finally, NASD Regulation is proposing new paragraph (d) of Rule 6955 and an amendment to Rule 9610(a) to permit NASD Regulation to grant exemptive relief to certain members from the reporting requirements of the OATS rules under the procedures set forth in the Rule 9600 series.

Specifically, members that meet the following criteria would be eligible to request an exemption from the OATS reporting requirements for manual orders:

(1) the member and current control affiliates and associated persons of the member have not been subject within the last five years to any disciplinary action, and within the last ten years to any disciplinary action involving fraud;

(2) the member has annual revenues of less than \$2 million;

(3) the member does not conduct any market making activities in Nasdaq Stock Market equity securities;

(4) the member does not execute principal transactions with its customers (with limited exceptions for error corrections); and

(5) the member does not conduct clearing or carrying activities for other firms.

Under the proposed rule change, any exemptive relief granted would expire no later than two years from the date the member receives the exemptive relief. At or prior to the expiration of a grant of exemptive relief, members meeting the specified criteria may request a subsequent exemption. In addition, under the proposed rule change, NASD Regulation's exemptive authority shall be in effect for five years from the effective date of the proposed rule change.

The proposed exemptive authority will provide NASD Regulation the ability to grant relief to members meeting the specified criteria in situations where, for example, reporting of this information would be unduly burdensome for the member or where temporary relief from the rules (in the form of additional time to achieve compliance would permit the member to avoid unnecessary expense or hardship.

#### 2. Statutory Basis

The Association believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of

<sup>12</sup> 17 CFR 240.17a-3(a)(6).

the Exchange Act,<sup>15</sup> which require that the rules of an association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest. NASD Regulation believes that, under the proposed rule change, OATS will continue to provide a substantially enhanced body of information regarding orders and transactions and will improve NASD Regulation's ability to conduct surveillance and investigations of member firms for violations of the Association's and other applicable rules.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

NASD Regulation does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others*

NASD Regulation neither solicited nor received written comments.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the NASD consents, the Commission will:

- (A) by order approve the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal is consistent with the Exchange Act. In particular, the Commission solicits comments on the propriety of the proposed time of receipt to be recorded and reported to OATS for manual orders. Currently, the time of receipt recorded and reported to OATS is the time the firm receives the order from a customer. Under the proposed rule change, this would continue to be the time of receipt for manual orders that are 10,000 shares or greater. For manual

orders of fewer than 10,000 shares, however, the NASD has proposed that the time of receipt to be recorded and reported pursuant to the OATS rules be the time the order is received by the member's trading desk or trading department for execution or routing purposes. The distinction is due to the types of problems the NASD and the Commission have encountered with manual orders of various sizes. Manual orders of greater than 10,000 shares are more likely to be subject to potential manipulation through delays in transferring the orders to a firm's trading desk or trading department. Manual orders of fewer than 10,000 shares, however, may need to be more closely examined for violations of the Commission's order handling rules. The Commission seeks comment on whether the proposed distinction between manual orders of different sizes for purposes of the proposed time of receipt is reasonable.

Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-00-23 and should be submitted by October 24, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>16</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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### **SMALL BUSINESS ADMINISTRATION (SBA)**

#### **Federal Assistance to Provide Financial, Counseling, Technical Assistance and Long-Term Training to Small Business Owners and Those Interested in Starting a Small Business**

**AGENCY:** Small Business Administration.

**ACTION:** SBDC 2000 Program Announcement for FY 2001 and CY 2001.

**SUMMARY:** The Small Business Administration plans to issue an SBDC program announcement. SBA plans to issue an SBDC 2000 Program Announcement for FY 2001 and CY 2001 to invite applicants from Institutions of Higher Education and Women's Business Centers to establish, manage, and oversee a Small Business Development Center (SBDC) Network in the State of Michigan.

The authorizing legislation is section 21 of the Small Business Act, (15 U.S.C. 648), *as amended* by section 6 of Pub. L. 101-515.

SBA's Detroit District Office will hold a bidders conference on November 6, 2000.

SBA's Detroit District Office must receive applications/proposals by November 20, 2000.

SBA will select the applicants competitively. The successful applicant will receive an award to provide long term training, counseling and technical assistance to businesses/persons who want to start or expand a small business.

The applicant must submit a one year plan that describes the network, proposed fund raising, training and technical assistance activities. Award recipients must provide non-Federal matching funds, *i.e.*, one-non Federal dollar for each Federal dollar for the project-year. At least half of the matching requirement must be in cash. The remainder may be in in-kind or in waived indirect cost.

**DATES:** SBA will mail program announcements to interested parties, immediately, upon request. The Opening date will be October 3, 2000 and the closing date will be November 3, 2000.

**FOR FURTHER INFORMATION CONTACT:**  
Eugene Cornelius, (313) 226-7240.

**Johnnie L. Albertson,**  
*Associate Administrator for Small Business Development Centers.*

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<sup>15</sup> 15 U.S.C. 78o-3(b)(6).

<sup>16</sup> 17 CFR 200.30-3(a)(12).