

(i) Significantly affect the protection of investors or the public interest;

(ii) Impose any significant burden on competition; and

(iii) Become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

The NASD has requested that the Commission waive the five-day pre-filing notice requirement and the 30-day operative delay. The Commission believes waiving the five-day pre-filing notice requirement and the 30-day operative delay is consistent with the protection of investors and the public interest. Acceleration of the operative date will allow the pilot to operate without interruption through April 1, 2003. For these reasons, the Commission designates the proposal to be effective and operative upon filing with the Commission.<sup>16</sup>

#### 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 Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 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 in 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 number

SR-NASD-2003-26 and should be submitted by March 31, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>17</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47437; File No. SR-NASD-2003-21]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Establishing a Pricing Schedule for the Use of Nasdaq Trading Applications' Tools Plus Product for Non-NASD Members

March 4, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 14, 2003, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Nasdaq proposes to establish a pricing schedule for the use of Nasdaq Trading Applications' ("NTA") Tools Plus product by persons that are not NASD members. Nasdaq will implement this rule change 30 days after the date of this filing. Because Nasdaq proposes to charge non-members the same prices for Tools Plus as it currently charges to members under NASD Rule 7050(e)(2), there is no change in rule language.

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

In its filing with the Commission, Nasdaq included statements concerning

the purpose of and basis for the proposed rule change and discussed comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq has prepared summaries, set forth below in Sections A, B, and C, 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

Nasdaq is proposing to establish a pricing schedule for the use of NTA's Tools Plus product by persons that are not NASD members. The proposed pricing schedule is identical to the one already established for NASD members by NASD Rule 7050(e)(2).<sup>3</sup> Tools Plus is a software product that provides subscribers with order management and routing, trade reporting, clearing, and regulatory compliance functionality. NTA was formerly Nasdaq Tools, Inc., a subsidiary of Nasdaq that was merged into Nasdaq in 2002.

In SR-NASD-2002-177, Nasdaq established a fee of \$350 per terminal per month for Tools Plus terminals with reduced functionality for use by correspondent firms or floor brokers to route orders to specified broker-dealers with whom they have an established relationship.<sup>4</sup>

Unlike a full functionality Tools Plus terminal, the terminals would not contain functionality to accept order flow, to compile statistics on order execution, or to route orders to a wide range of market centers. This prior filing established prices for use of this product by NASD members, but did not cover non-members. Nasdaq believes, however, that the most likely customers for the floor broker terminal are regional securities exchanges, which may purchase such terminals for use by their members, rather than the floor brokers themselves. Accordingly, Nasdaq proposes to offer Tools Plus to non-members at the same prices at which it is offered to members.<sup>5</sup> Use of floor

<sup>3</sup> See Securities Exchange Act Release No. 47067 (December 20, 2002), 67 FR 79213 (December 27, 2002) (SR-NASD-2002-177); Securities Exchange Act Release No. 46972 (December 9, 2002), 67 FR 77301 (December 17, 2002) (SR-NASD-2002-165); and Securities Exchange Act Release No. 46973 (December 9, 2002), 67 FR 77305 (December 17, 2002) (SR-NASD-2002-164).

<sup>4</sup> See Securities Exchange Act Release No. 47067 (December 20, 2002), 67 FR 79213 (December 27, 2002) (SR-NASD-2002-177).

<sup>5</sup> Nasdaq does not currently offer Tools Plus to non-members, and it is unclear whether any demand for the product among non-members will

Continued

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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

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

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

broker terminals would require payment not only of the monthly terminal charge of \$350 per terminal, but also the other charges associated with Tools Plus, such as initial deposits, installation fees, connection and port charges, training fees, and hourly rates for customized programming. Finally, although Nasdaq does not currently foresee a demand for the use of full functionality terminals by non-members, the fee schedule for non-members also includes the prices for these terminals, in case such demand does develop.<sup>6</sup>

## 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,<sup>7</sup> in general, and with Section 15A(b)(5) of the Act,<sup>8</sup> in particular, in that it provides for the equitable allocation of reasonable fees, dues, and other charges among members and issuers and other persons using any facility or system which the NASD operates or controls.

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

Nasdaq believes that the proposed rule change will not result in 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*

Written comments were neither solicited nor received on the proposed rule change contained in this filing.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)

emerge. Telephone Conversation between John M. Yetter, Assistant General Counsel, Office of General Counsel, Nasdaq, and Susie Cho, Special Counsel, Division of Market Regulation ("Division"), Commission, on February 27, 2003.

<sup>6</sup> Nasdaq notes that a Tools Plus user cannot use a Tools Plus terminal to route orders to a given market center unless the user has a relationship with the market center that allows it to do so under the rules governing access to that market center. For example, a member of a regional securities exchange that was not a NASD member could not use a Tools Plus terminal to route orders to Nasdaq's SuperMontage system unless the regional exchange was itself a SuperMontage participant (in which case, the member of the exchange could route orders through the exchange, as provided in NASD Rule 4710(e)). Telephone Conversation between John M. Yetter, Assistant General Counsel, Office of General Counsel, Nasdaq, and Susie Cho, Special Counsel, Division, Commission, on March 3, 2003.

<sup>7</sup> 15 U.S.C. 78o-3.

<sup>8</sup> 15 U.S.C. 78o-3(b)(5).

of the Act<sup>9</sup> and Rule 19b-4(f)(6)<sup>10</sup> thereunder because the proposal: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative prior to 30 days after the date of filing or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Nasdaq gave the Commission notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Act.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 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 in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-2003-21 and should be submitted by March 31, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47433; File No. SR-NASD-2003-24]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. To Amend the NASD Registration Rules

March 3, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 26, 2003, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in items I and II below, which items have been prepared by NASD. NASD has designated the proposed rule change as constituting a "non-controversial" rule change pursuant to rule 19b-4(f)(6) under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

As part of its rule modernization initiative, NASD is proposing to make technical changes to the NASD registration rules and to update these rules. Below is the text of the proposed rule change. New text is in *italics*. Proposed deletions are in [brackets].

\* \* \* \* \*

#### 1000. Membership, Registration and Qualification Requirements

\* \* \* \* \*

#### 1020. Registration of Principals

#### 1021. Registration Requirements

(a) All Principals Must Be Registered  
All persons engaged or to be engaged in the investment banking or securities

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).