INFORMATIONAL

SEC Approves Proposed Rule Change

Relating To Cash And Margin Treatment For Certain Types Of Options Positions

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- Executive Representatives
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- Options

KEY TOPICS

- Rule 2520
- Rule 2522
- Margin
- Options

Executive Summary

On November 17, 2000, the Securities and Exchange Commission (SEC or Commission) approved amendments to National Association of Securities Dealers, Inc. (NASD®) Rules 2520 and 2522, relating to margin requirements for certain options positions (the "amendments").[1] The amendments become effective on **February 26, 2001** and are substantially similar to amendments by the Chicago Board Options Exchange (CBOE) and the New York Stock Exchange (NYSE) to their margin rules.[2]

The text of the amendments and *Federal Register* version of the SEC Approval Order are attached. For a complete description of the amendments, as well as specific examples of certain margin calculations under the amendments, members should review the attached SEC Approval Order.

Questions/Further Information

Questions concerning this *Notice* may be directed to Susan DeMando, Director, Financial Operations, Member Regulation, NASD Regulation, Inc. (NASD Regulation℠), at (202) 728-8411, or Stephanie M. Dumont, Associate General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8176.

Background And Discussion

Until several years ago, the margin requirements governing listed options[3] were set forth in Regulation T. However, Federal Reserve Board amendments to Regulation T that became effective on June 1, 1997, modified or deleted certain margin requirements regarding options transactions in favor of rules to be adopted by the self-regulatory organizations (SROs), subject to approval by the Commission.[4] In response, NASD Regulation is amending NASD Rules 2520 and 2522 to:

- expand the types of short options positions that would be considered "covered" and eligible for the cash account to include short positions that are components of certain limited risk spread strategies (box spreads, butterfly spreads, and debit and credit spreads), provided that any potential risk to the carrying broker/dealer is paid for in full and retained in the account;
- reduce the required margin for butterfly and box spreads by recognizing butterfly and box spreads as strategies (rather than separate transactions) for purposes of margin treatment;
- permit the extension of credit on certain long box spreads;
- recognize various hedging strategies involving stocks (or other underlying instruments) paired with long options, and reduce the required maintenance margin on such hedged stock positions;
- permit the extension of credit on certain long-term options and warrants with over nine months until expiration;
- revise the minimum margin requirement for short uncovered put options; and
- define specific terms relating to the amendments including "box spread," "butterfly spread," and "escrow agreement."

Butterfly Spreads, Box Spreads, And Other Spreads

The amendments permit butterfly and box spreads in cash-settled, European-style[5] options to be eligible for the cash account. The

amendments also reduce the required margin for butterfly and box spreads by recognizing butterfly and box spreads as strategies (rather than separate transactions) for purposes of margin treatment. In addition, the amendments permit the extension of credit on certain long box spreads.

The amendments define the terms "butterfly spread" and "box spread" options strategies, specifying what multiple option positions, if held together, qualify for classification as butterfly or box spreads, and consequently are eligible for cash and margin treatments. In addition, the amendments define "escrow agreement," as used in connection with cash-settled calls, puts, currency warrants, currency index warrants, or stock index warrants carried short and as used in connection with non-cash settled put or call options carried short.

Cash Account Treatment: To qualify for carrying in the cash account, the butterfly spreads and box spreads must meet the specifications contained in the definitions of those terms and be comprised of options that (1) are listed or guaranteed by the carrying broker/dealer; (2) have European-style exercise; and (3) are held in, or purchased for, the account on the same day.

For long butterfly spreads and long box spreads, full payment of the net debit that is incurred when the spread strategy is established is required at the time the strategy is established or must be deposited promptly thereafter.

Short butterfly spreads generate a credit balance when established (*i.e.*, the proceeds from the sale of short option components exceed the cost of purchasing long option components). However, in the worst case scenario where all options are exercised, a debit (loss) greater than the initial credit balance received could accrue to the account. To eliminate the risk to the broker/dealer carrying the short butterfly spread, the amendments require that an amount equal to the maximum risk be held or deposited in the account in the form of cash or cash equivalents. The maximum potential risk in a short butterfly spread comprised of call options is the aggregate difference between the two lowest exercise prices. With respect to short butterfly spreads comprised of put options, the maximum potential risk is the aggregate difference between the two highest exercise prices. The net credit received from the sale of the short option components can be applied towards the requirement.

Short box spreads also generate a credit balance when established. This credit is nearly equal to the total debit (loss) that will accrue to the account if held to expiration. The amendments require that cash or cash equivalents covering the maximum risk, which is equal to the aggregate difference in the two exercise prices involved, be held or deposited. The net credit received from the sale of the short option components may be applied towards the requirement.

In addition to butterfly spreads and box spreads, the amendments permit investors to hold in their cash accounts other spreads made up of European-style, cash-settled stock index options or stock index warrants. A short position would be considered covered, and thus eligible for the cash account, if a long position in the same European-style, cash-settled index option or stock index warrant was held in, or purchased for, the account on the same day.[6] The long and short positions making up the spread must expire concurrently, and the long position must be paid in full.

Margin Account Treatment: Under current margin rules, butterfly and box spreads are not recognized for margin purposes. The underlying components that make up the spreads must be margined separately. The amendments, however, permit the spreads to be viewed in combination, and therefore, commensurate with the lower combined risk, investors can receive the benefit of lower margin requirements.

To be recognized as a distinct strategy in a margin account, the butterfly spreads and box spreads must meet the specifications contained in the definitions of those terms and the options positions must be listed or guaranteed by the carrying broker/dealer. As required for cash account treatment of long butterfly spreads, the net debit must be paid in full. For short butterfly spreads comprised of call options, the initial and maintenance margin must equal at least the aggregate difference between the two lowest exercise prices. For short butterfly spreads comprised of put options, the initial and maintenance margin must equal at least the aggregate difference between the two highest exercise prices. The net credit received from the sale of the short option components may be applied towards the margin requirement for short butterfly spreads.

With respect to long box spreads, where the component options are not European-style, the amendments require full payment of the net debit that is incurred when the spread strategy is established. For short box spreads held in the margin account, the amendments require that cash or cash equivalents covering the maximum risk, which is equal to the aggregate difference in the two exercise prices involved, be deposited and maintained. The net credit

received from the sale of the short option components may be applied towards the requirement.

Generally, long and short box spreads do not have loan value for margin equity purposes. However, the amendments permit the extension of credit on long box spreads composed entirely of European-style options that are listed or guaranteed by the carrying broker/dealer. For long box spreads made up of European-style options, the amendments require initial and maintenance margin of 50 percent of the aggregate difference in the two exercise prices (buy and sell), which results in a margin requirement slightly higher than 50 percent of the debit typically incurred in establishing such a position. A long box spread position is allowed market value for margin equity purposes of not more than 100 percent of the aggregate difference in the exercise prices of the options.

Extension Of Credit On Long-Term Options And Warrants

The amendments permit extensions of credit on certain long listed and over-the-counter (OTC)[7] options and warrant products (*i.e.*, stock index warrants, but not traditional stock warrants issued by a corporation on its own stock). Only those options or warrants with expirations exceeding nine months ("long-term") are eligible for credit extension.[8] The amendments, however, do not provide loan value for foreign currency options.

The amendments require initial and maintenance margin of not less than 75 percent of the current market value of long-term listed options and warrants. Therefore, members will be permitted to loan up to 25 percent of the current market value of a long-term listed option or warrant. For example, if an investor purchased a listed call option on stock XYZ that expired in January 2001 for approximately $100 (excluding commissions), the investor would be required to deposit and maintain at least $75. The investor could borrow the remaining $25 from the member. Under the current margin rules, the investor would be required to pay the entire $100.

The amendments also permit the extension of credit on certain long-term OTC options and warrants. Specifically, a member can extend credit on an OTC put or call option on a stock or stock index, and on an OTC stock index warrant. In addition to being more than nine months from expiration, a marginable OTC option or warrant must: (1) be in-the-money and valued at all times for margin purposes at an amount not to exceed the in-the-money amount; (2) be guaranteed by the carrying broker/dealer; and (3) have an American-style[9] exercise provision. If the marginable OTC options meets these conditions, initial and maintenance margin of 75 percent of the long-term OTC option's or warrant's in-the-money amount (*i.e.*, its intrinsic value) is required.

When the time remaining until expiration for an option or warrant (listed or OTC) on which credit has been extended reaches nine months, the maintenance margin requirement becomes 100 percent of the current market value. Options or warrants expiring in less than nine months do not have loan value under the rule change because of the leverage and volatility of those instruments.

Maintenance Margin Requirements For Stock Positions Held With Options Positions

The amendments recognize and establish reduced maintenance margin requirements for five options strategies that are designed to limit the risk of a position in the underlying component. The strategies are: (1) Long Put/Long Stock; (2) Long Call/Short Stock; (3) Conversion; (4) Reverse Conversion; and (5) Collar. Although the five strategies are summarized below in terms of stock positions held in conjunction with an overlying option (or options), the amendments also apply to components that underlie index options and warrants. For example, these same maintenance margin requirements apply when these strategies are used with a stock basket underlying index options or warrants.

Long Put/Long Stock

The Long Put/Long Stock hedging strategy requires an investor to carry in an account a long position in the component underlying the put option, and a long put option specifying equivalent units of the underlying component. This strategy is designed to limit downside risk in the underlying stock while the put is held. The put holder retains the right to sell stock at the strike price through the expiration of the put. The maintenance margin requirement for the Long Put/Long Stock combination would be the lesser of: (a) 10 percent of the put option aggregate exercise price, plus 100 percent of any amount by which the put option is out-of-the-money; or (b) 25 percent of the current market value of the long stock position.

Long Call/Short Stock

The Long Call/Short Stock hedging strategy requires an investor to carry in an account a short position in the component underlying the call option, and a long call option

specifying the equivalent units of the underlying component. This strategy is designed to limit the risk associated with upside appreciation in the underlying stock during the life of the call. The call holder retains the right to buy the stock at the strike price through the expiration of the call. For a Long Call/Short Stock combination, the maintenance margin requirement would be the lesser of: (a) 10 percent of the call option aggregate exercise price, plus 100 percent of any amount by which the call option is out-of-the-money; or (b) the maintenance margin requirement on the short stock position as specified in NASD Rule 2520(c).

Conversion (Long Stock/Long Put/Short Call)

A "Conversion" is a long stock position in conjunction with a long put and a short call. For a Conversion to qualify as hedged, the long put and the short call must have the same expiration and exercise price. The short call is covered by the long stock, and the long put is a right to sell the stock at a predetermined price—the exercise price of the long put. Thus, regardless of any decline in market value, the stock position, in effect, is worth no less than the exercise price of the put.

Current NASD margin rules specify that no maintenance margin would be required on the short call option because it is covered, but the underlying long stock position would be margined according to the current maintenance margin requirement (*i.e.*, 25 percent of the current market value). Under the amendments, the maintenance margin requirement for a Conversion would be 10 percent of the aggregate exercise price.

Reverse Conversion (Short Stock/Short Put/Long Call)

A "Reverse Conversion" is a short stock position held in conjunction with a short put and a long call. As with the Conversion, the short put and long call must have the same expiration date and exercise price. Regardless of any rise in market value, the stock can be acquired for the call exercise price; in effect, the short position is valued at no more than the call exercise price. Under the amendments, the maintenance margin requirement for a Reverse Conversion would be 10 percent of the aggregate exercise price, plus any in-the-money amount (*i.e.*, the amount by which the exercise price of the short put exceeds the current market value of the underlying stock position).

Collar (Long Stock/Long Put/Short Call)

A "Collar" is a long stock position held in conjunction with a long put and a short call. In a Collar, as compared to a Conversion, the exercise price of the long put is lower than the exercise price of the short call. Therefore, the options positions in a Collar do not constitute a pure synthetic short stock position. The maintenance margin for a Collar under the amendments would be the lesser of: (a) 10 percent of the long put aggregate exercise price, plus 100 percent of any amount by which the long put is out-of-the-money; or (b) 25 percent of the short call aggregate exercise price.

Margin Requirements For Short Put Options

Currently, the minimum required margin for a short listed put option is an amount equal to the option premium plus a percentage of the current value of the underlying instrument. The minimum required margin for a short OTC put option is an amount equal to a percentage of the current value of the underlying component. As a result, a margin requirement for a short put option is created even when the price of the underlying instrument rises above the exercise price of the put and the risk associated with the put option has decreased because the option is out-of-the money. Therefore, the amendments provide a minimum margin requirement for short put options more in line with the risk associated with the option. Specifically, under the amendments, the minimum margin requirement for a short listed put option will be an amount equal to the current value of the option plus a percentage of the option's exercise price. The minimum margin required for a short OTC put option will be an amount equal to a specified percentage of the option's exercise price.

Endnotes

1 *See* Securities Exchange Act Release No. 43581 (November 17, 2000), 65 FR 70854 (November 28, 2000) (File No. SR-NASD-00-15) ("SEC Approval Order").

2 *See* Securities Exchange Act Release Nos. 41658 (July 27, 1999), 64 FR 42736 (August 5, 1999) (order approving File No. SR-CBOE-97-67); and 42011 (October 14, 1999), 64 FR 57172 (October 22, 1999) (order approving File No. SR-NYSE-99-03).

3 Listed options are issued by The Options Clearing Corporation (OCC), a clearing agency registered pursuant to Section 17A of the Securities Exchange Act of 1934.

4 *See* Board of Governors of the Federal Reserve System Docket No. R-0772 (April 24, 1996), 61 FR 20386 (May 6, 1996).

5 A European-style option may be exercised only at its expiration pursuant to the rules of the OCC.

6 A long warrant may offset a short option contract and a long option contract may offset a short warrant provided they have the same underlying component or index and equivalent aggregate current underlying value. If the long position is not listed, it must be guaranteed by the carrying broker-dealer; otherwise, the short position is not eligible for the cash account and must be margined separately pursuant to NASD Rule 2520(f)(2)(D).

7 Unlike listed options, OTC options are not issued by the OCC. OTC options and warrants are not listed or traded on a registered national securities exchange or through an automated quotation system of a registered securities association.

8 For any stock option, stock index option, or stock index warrant that expires in nine months or less, initial margin must be deposited and maintained equal to at least 100 percent of the purchase price of the option or warrant.

9 An American-style option is exercisable on any business day prior to its expiration date and on its expiration date.

ATTACHMENT A

Rule Language – SR-NASD-00-15

(Note: New language is underlined; and deletions are bracketed)

2520. Margin Requirements

a) through (e) No Change

(f) Other Provisions

(1) Determination of Value for Margin Purposes

Active securities dealt in on a national securities exchange or OTC Marginable securities listed on Nasdaq shall, for margin purposes, be valued at current market prices; provided that, whether or not dealt in on an exchange or listed on Nasdaq, only those options contracts on a stock or stock index, or a stock index warrant, having an expiration that exceeds nine months and that are listed or guaranteed by the carrying broker-dealer, may be deemed to have market value for the purposes of Rule 2520. Other securities shall be valued conservatively in view of current market prices and the amount which might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried in "long" or "short" positions are subject to unusually rapid or violent changes in value, or do not have an active market on Nasdaq or on a national securities exchange, or where the amount carried is such that the position(s) cannot be liquidated promptly.

(2) Puts, Calls, Other Options, Currency Warrants, Currency Index Warrants and Stock Index Warrants

(A) Except as provided below, and in the case of a put, call index stock group option, or stock index warrant with a remaining period to expiration exceeding nine months, no put, call, currency warrant, currency index warrant or stock index warrant carried for a customer shall be considered of any value for the purpose of computing the margin to be maintained in the account of such customer.

(B) No Change

(C) For purposes of this subparagraph [(6)(B)] (f)(2), obligations issued by the United States Government shall be referred to as United States Government obligations. Mortgage pass-through obligations guaranteed as to timely payment of principal and interest by the Government National Mortgage Association shall be referred to as GNMA obligations. [The terms "current market value" or "current market price" of an options, currency warrant, currency index warrant or stock index warrant shall mean the total cost or net proceeds of the option contract or warrant on the day it was purchased or sold and at any other time shall be the preceding business day's closing price of that option (times the appropriate unit of trading or multiplier) as shown by any regularly published reporting or quotation service. The term "exercise settlement amount" shall mean the difference between the "aggregate exercise price" and the "aggregate current index value" (as such terms are defined in the pertinent By-Laws of the Options Clearing Corporation).]

In the case of any put, call, currency warrant, currency index warrant, or stock index warrant carried "long" in a customer's account that expires in nine months or less, initial margin must be deposited and maintained equal to at least 100% of the purchase price of the option or warrant.

Long Listed Option or Warrant With An Expiration Exceeding Nine Months. In the case of a put, call, index stock group option, or stock index warrant that is issued by a registered clearing agency, margin must be deposited and maintained equal to at least 75% of the current market value of the option or warrant; provided that the option or warrant has a remaining period to expiration exceeding nine months.

Long OTC Option or Warrant With An Expiration Exceeding Nine Months. In the case of an OTC put or call option on a stock or stock index, and a stock index warrant, with an expiration exceeding 9 months, margin must be deposited and maintained equal to at least 75% of the option's or warrant's in-the-money amount. Options or warrants margined pursuant to this paragraph must:

(i) be valued at all times for margin purposes at an amount not to exceed, the in-the-money amount,
(ii) be guaranteed by the carrying broker-dealer, and
(iii) have an American-style exercise provision.

(D) The margin required on any put [or call issued], call, currency warrant, currency index warrant, or stock index warrant issued, guaranteed or carried "short" in a customer's account shall be:

(i) In the case of puts and calls issued by a registered clearing agency, 100 percent of the current market value of the option plus the percentage of the current value of the underlying [security or index] component specified in column II of the chart below. In the case of currency warrants, currency index warrants and stock index warrants, 100 percent of the current market value of each such warrant plus the percentage of the warrant's current "underlying component value" (as column IV of the chart below describes) specified in column II of the chart below.

[Notwithstanding the margin required below, t]The [minimum] margin on any put[or call issued], call, currency warrant, currency index warrant, or stock index warrant issued, guaranteed or carried "short" in a customer's account may be reduced by any "out-of-the-money amount" (as defined below), but shall not be less than 100 percent of the current market value of the option or warrant plus the percentage of the current value of the underlying [security or index] component specified in column III, except in the case of any put issued, guaranteed or carried "short" in a customer's account. Margin on such put option contracts shall not be less than the current value of the put option plus the percentage of the put option's aggregate exercise price as specified in column III.

* * * No Change to Tables * * *

If the option contract provides for the delivery of obligations with different maturity dates or coupon rates, the computation of the "out-of-the-money amount," if any, where required by this Rule, shall be made in such a manner as to result in the highest margin requirement on the short option position.

(ii) In the case of puts and calls issued by a registered clearing agency which represent options on GNMA obligations in the principal amount of $100,000, 130 percent of the current market value of the option plus $1,500, except that the margin required need not exceed $5,000 plus the current market value of the option.

(iii) In the case of puts and calls not issued by a registered clearing agency, the percentage of the current value of the underlying component and the applicable multiplier, if any, specified in column II below, plus any "in-the-money amount" (as defined in this paragraph (f)(2)(D)(iii).)

[Notwithstanding the margin required by this subparagraph] In the case of options not issued by a registered clearing agency, the [minimum] margin on any put or call issued, guaranteed or carried "short" in a customer's account may be reduced by any "out of the money amount" (as defined in paragraph (f)(2)(D)(i)), but shall not be less than the percentage of the current value of the underlying component and the applicable multiplier, if any, specified in column III below, except in the case of any put issued or guaranteed or carried "short" in a customer's account. Margin on such put option contracts shall not be less than the percentage of the put option's exercise price as specified in column III below.

* * * No Change to Tables * * *

(D)(iv) through (G)(iv) No Change.

(G)(v) The following requirements set forth the minimum amount of margin that must be maintained in margin accounts of customers having positions in components underlying options, and stock index warrants, when such components are held in conjunction with certain positions in the overlying option or warrant. The option or warrant must be issued by a registered clearing agency or guaranteed by the carrying broker/dealer. In the case of a call or warrant carried in a short position, a related long position in the underlying component shall be valued at no more than the call/warrant exercise price for margin equity purposes.

a. Long Option or Warrant Offset. When a component underlying an option or warrant is carried long (short) in an account in which there is also carried a long put (call) or warrant specifying equivalent units of the underlying component, the minimum amount of margin that must be maintained on the underlying component is 10% of the aggregate option/warrant exercise price plus the "out-of-the-money" amount, not to exceed the minimum maintenance required pursuant to paragraph (c) of this Rule.

b. Conversions. When a call or warrant carried in a short position is covered by a long position in equivalent units of the underlying component and there is also carried with a long put or warrant specifying equivalent units of the same underlying component and having the same exercise price and expiration date as the short call or warrant, the minimum amount of margin that must be maintained for the underlying component shall be 10% of the aggregate exercise price.

c. Reverse Conversions. When a put or warrant carried in a short position is covered by a short position in equivalent units of the underlying component and is also carried with a long call or warrant specifying equivalent units of the same underlying component and having the same exercise price and expiration date as the short put or warrant, the minimum amount of margin that must be maintained for the underlying component shall be 10% of the aggregate exercise price plus the amount by which the exercise price of the put exceeds the current market value of the underlying, if any.

d. Collars. When a call or warrant carried in a short position is covered by a long position in equivalent units of the underlying component and is also carried with a long put or warrant specifying equivalent units of the same underlying component and having a lower exercise price and the same expiration date as the short call/warrant, the minimum amount of margin that must be maintained for the underlying component shall be the lesser of 10% of the aggregate exercise price of the put plus the put "out-of-the-money" amount or 25% of the call aggregate exercise price.

e. Butterfly Spread. This subparagraph applies to a butterfly spread as defined in Rule 2522 where all option positions are issued by a registered clearing agency or guaranteed by the carrying broker/dealer.

1. With respect to a long butterfly spread as defined in Rule 2522, the net debit must be paid in full.

2. With respect to a short butterfly spread as defined in Rule 2522, margin must be deposited and maintained equal to at least the amount of the aggregate difference between the two lowest exercise prices with respect to short butterfly spreads comprised of calls or the aggregate difference between the two highest exercise prices with respect to short butterfly spreads comprised of puts. The net proceeds from the sale of short option components may be applied to the requirement.

f. Box Spread. This subparagraph applies to box spreads as defined in Rule 2522, where all option positions are issued by a registered clearing agency or guaranteed by the carrying broker/dealer.

1. With respect to a long box spread as defined in Rule 2522 the net debit must be paid in full.

2. With respect to a short box spread as defined in Rule 2522, margin must be deposited and maintained equal to at least the amount of the aggregate difference between the exercise prices. The net proceeds from the sale of the short option components may be applied to the requirement.

g. Long Box Spread in European-Style Options. With respect to a long box spread as defined in Rule 2522, in which all component options have a European-style exercise provision and are issued by a registered clearing agency or guaranteed by the carrying broker/dealer, margin must be deposited and maintained equal to a least 50% of the aggregate difference in the exercise prices. The net proceeds from the sale of short option components may be applied to the requirement. For margin purposes, the long box spread may be valued at an amount not to exceed 100% of the aggregate difference in the exercise prices.

(f)(2)(H) through (f)(2)(L) No Change

(M) Cash account transactions. - A member may make option transactions in a customer's cash account, provided that:

(i) The transaction is permissible under Regulation T, Section 220.8; or

(ii) [The transaction is a debit put spread in listed broad-based index options with European-style exercise comprised of a long put(s) coupled with a short put(s) overlying the same broad-based index with an equivalent underlying aggregate index value and the short put(s) and the long put(s) expire simultaneously, and the strike price of the long put(s) exceed the strike price of the short put(s).] **Spreads.** A European-style cash-settled index stock group option or stock index warrant carried in a short position is deemed a covered position, and eligible for the cash account, provided a long position in a European-style cash-settled stock group index option, or stock index warrant having the same underlying component or index that is based on the same aggregate current underlying value, is held in or purchased for the account on the same day, provided that:

a. the long position and the short position expire concurrently;

b. the long position is paid is full; and

c. there is held in the account at the time the positions are established, or received into the account promptly thereafter:

1. cash or cash equivalents of not less than any amount by which the aggregate exercise price of the long call or call warrant (short put or put warrant) exceeds the aggregate exercise price of the short call or call warrant (long put or put warrant), to which requirement of net proceeds from the sale of the short position may be applied, or

2. an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement i. cash, ii. cash equivalents, or iii. a combination thereof having an aggregate market value at the time the positions are established of not less than any amount by which the aggregate exercise price of the long call or call warrant (short put or put warrant) exceeds the aggregate exercise price of a short call or call warrant (long put or put warrant) and that the bank will promptly pay the member such amount in the event the account is assigned an exercise notice or that the bank will promptly pay the member funds sufficient to purchase a warrant sold short in the event of a buy-in.

d. A long warrant may offset a short option contract and a long option contract may offset a short warrant provided that they have the same underlying component or index and equivalent aggregate current underlying value. In the event that the long position is not listed, it must be guaranteed by the carrying broker/dealer; otherwise the short position is not eligible for the cash account and must be margined separately pursuant to subparagraph (f)(2)(D).

(iii) **Butterfly Spreads.** Put or call options carried in a short position are deemed covered positions and eligible for the cash account provided that the account contains long positions of the same type which in conjunction with the short options, constitute a butterfly spread as defined in Rule 2522 and provided that:

a. all component options are listed, or guaranteed by the carrying broker/dealer;

b. all component options are European-style;

c. all component options are cash settled;

d. the long options are held in, or purchased for the account on the same day;

e. with respect to a long butterfly spread as defined in Rule 2522, the net debit is paid in full; and

f. with respect to a short butterfly spread as defined in Rule 2522, there is held in the account at the time the positions are established or received into the account promptly thereafter:

1. cash or cash equivalents of not less than the amount of the aggregate difference between the two lowest exercise prices with respect to short butterfly spreads comprised of call options or the aggregate difference between the two highest exercise prices with respect to short butterfly spreads comprised or put options, to which requirement the net proceeds from the sale of short option components may be applied; or

2. an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement i. cash, ii. cash equivalents or iii. a combination thereof having an aggregate market value at the time the positions are established of not less than the amount of the aggregate difference between

the two lowest exercise prices with respect to short butterfly spreads comprised of calls or the aggregate difference between the two highest exercise prices with respect to short butterfly spreads comprised of puts and that the bank will promptly pay the member such amount in the event the account is assigned an exercise notice on the call (put) with the lowest (highest) exercise price.

(iv) **Box Spreads.** Puts and calls carried in a short position are deemed covered positions and eligible for the cash account provided that the account contains long positions which in conjunction with the short options constitute a box spread as defined in Rule 2522 provided that:

a. all component options are listed, or guaranteed by the carrying broker/dealer;

b. all component options are European-style;

c. all component options are cash settled;

d. the long options are held in, or purchased for the account on the same day;

e. with respect to a long box spread as defined in Rule 2522, the net debit is paid in full; and

f. with respect to a short box spread as defined in Rule 2522, there is held in the account at the time the positions are established, or received into the account promptly thereafter:

1. cash or cash equivalents of not less than the amount of the aggregate difference between the exercise prices, to which requirement the net proceeds from the sale of short option components may be applied; or

2. an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement i. cash, ii. cash equivalents or iii. a combination thereof having an aggregate market value at the time the positions are established of not less than the amount of the aggregate difference between the exercise prices and that the bank will promptly pay the member such amount in the event the account is assigned an exercise notice on either short option.

* * *

2522. Definitions Related to Options, Currency Warrants, Currency Index Warrants and Stock Index Warrants Transactions

[(a) Definitions Related to Options Transactions]

(a) The following definitions shall apply to the margin requirements for options, currency warrants, currency index warrants and stock index warrants transactions:

* * *

(6) Box Spread

The term "box spread" means an aggregation of positions in a long call and short put with the same exercise price ("buy side") coupled with a long put and short call with the same exercise price ("sell side") all of which have the same underlying component or index and time of expirations, and are based on the same aggregate current underlying value, and are structured as: (A) a "long box spread" in which the sell side exercise price exceeds the buy side exercise price or (B) a "short box spread" in which the buy side exercise price exceeds the sell side exercise price.

Paragraphs (6) and (7) are renumbered as Paragraphs (7) and (8).

(9) Butterfly Spread

The term "butterfly spread" means an aggregation of positions in three series of either puts or calls all having the same underlying component or index, and time of expiration, and based on the same aggregate current underlying value, where the interval between the exercise price of each series is equal, which positions are structured as either: (A) a "long butterfly spread" in which two short options in the same series are offset by one long option with a higher exercise price and one long option with a lower exercise price or (B) a "short butterfly spread" in which two long options in the same series offset one short option with a higher exercise price and one short option with a lower exercise price.

Paragraphs (8) through (17) are renumbered as Paragraphs (10) through (19).

(20) Current Market Value or Current Market Price

The terms "current market value" or "current market price" of an option, currency warrant, currency index warrant or stock index warrant are as defined in Section 220.2 of Regulation T of the Board of Governors of the Federal Reserve System.

Paragraphs (18) and (19) are renumbered as Paragraphs (21) through (22).

(23) Escrow Agreement

The term "escrow agreement," when used in connection with cash settled calls, puts, currency warrants, currency index warrants or stock index warrants carried short, means any agreement issued in a form acceptable to the Association under which a bank holding cash, cash equivalents, one or more qualified equity securities or combination thereof in the case of a call option or warrant[s] or cash, cash equivalents or a combination thereof in the case of a put option or warrant is obligated (in the case of an option) to pay the creditor the exercise settlement amount in the event an option is assigned an exercise notice [or (in the case of a warrant) the funds sufficient to purchase a warrant sold short in the event an option is assigned an exercise notice] or (in the case of a warrant) the funds sufficient to purchase a warrant sold short in the event of a buy-in.

The term "escrow agreement" when used in connection with non cash settled call or put options carried short, means any agreement issued in a form acceptable to the Association under which a bank holding the underlying security (in the case of a call option) or required cash or cash equivalents or a combination thereof (in the case of a put option) is obligated to deliver to the creditor (in the case of a call option) or accept from the creditor (in the case of a put option) the underlying security against payment of the exercise price in the event of the call or put is assigned an exercise notice.

Paragraphs (20) through (22) are renumbered as Paragraphs (24) through (26).

(27) Exercise Settlement Amount

The term "exercise settlement amount" shall mean the difference between the "aggregate exercise price" and the "aggregate current index value" (as such terms are defined in the pertinent By-Laws of the Options Clearing Corporation).

Paragraphs (23) through (58) are renumbered as Paragraphs (28) through (63).

(64) Stock Index Warrant

The term "stock index warrant" shall mean a put or call warrant that overlies a broad index stock group or an industry index stock group.

Paragraphs (59) through (71) are renumbered as Paragraphs (65) through (77).

INFORMATIONAL

Decimalization Testing

Nasdaq Announces Additional Decimalization Pilot Phase For **March 26, 2001**

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 and Market Making

KEY TOPICS

- Decimalization

Executive Summary

In this *NASD Notice to Members* you will find information on Nasdaq® adding an additional pilot phase to its decimal conversion schedule. A summary of decimalization testing is included; please note mandated testing firms have until February 24, 2001 to satisfy the mandate. Also, a table of the industry-critical dates is provided.

Questions/Further Information

Questions regarding this *Notice* 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 located at *www.sia.com.*

Additional Pilot Phase

On Monday, March 26, 2001, The Nasdaq Stock Market® will begin a second decimal pilot. This additional pilot period was added after discussions between Nasdaq, the Securities and Exchange Commission (SEC), and the SIA, to further ensure a smooth transition to decimal pricing.

With the addition of the March 26th pilot, Nasdaq's decimalization schedule is as follows:

- March 12, 2001: Pilot of 15 securities* will begin
- March 26, 2001: Second pilot* will begin
- April 9, 2001: Nasdaq equity securities will be fully converted to decimals

* *Lists of pilot securities will be released approximately 30 days prior to the implementation dates.*

Nasdaq Decimalization Testing

Complete testing information can be found by visiting the NASD Web Site (*www.nasd.com*), clicking on the decimalization link, and then the testing button; or the Nasdaq Trader℠ Web Site (*www.nasdaqtrader.com*), clicking on Hot Topics, and then decimalization. The January *NASD Notice to Members 01-05* also reviews mandated decimalization testing.

Testing Registration - Registration for Point-to-Point, Extended Point-to-Point, and Saturday Production testing is **required**. Firms must register at least 48 hours in advance of the date they wish to test on Nasdaq's Customer Subscriber Test (CST) facility.

Point-to-Point - Full Point-to-Point testing began January 2, 2001, and will continue through April 6, 2001, via the Customer Subscriber Test (CST) facility for CTCI and API/NWII participants. Testing of decimal-priced securities in both penny and nickel minimum price variations (MPVs), as well as fractional-priced securities, will occur.

Extended Point-to-Point - Testing will take place the mornings of February 10 and 24, 2001, and will be scripted. Systems will be available at approximately 9:00 a.m., Eastern Time (ET). The simulated open will be at approximately 10:00 a.m., ET, with the test running until 12:00 p.m., ET. Nasdaq will confirm the testing times in an *Alert* closer to the dates of the tests.

Nasdaq Production Tests - Testing will take place the afternoon of February 10, 2001 from approximately 1:00 p.m. – 3:00 p.m., ET, and will be unscripted. Production testing will also be available Saturday, February 17, 2001, from approximately 10:00 a.m., ET – 2:00 p.m., ET. Nasdaq will confirm the testing times in an *Alert* closer to the dates of the tests.

Proxy Testing - The NASD is accepting proxy testing where feasible for firms that rely on service providers or software purchased from vendors. Your firm's specific testing requirements, stated on the NASD Web Site, or in the NASD letter firms mandated to test received, will show where proxy testing is acceptable.

Testing Strategy - During full Point-to-Point, Extended Point-to-Point, and Production testing, Nasdaq will establish a list of securities for decimal testing with either an MPV of $0.05 or $0.01. Nasdaq has released a list of the test securities with their associated MPVs, which can be found on the Nasdaq Trader Web Site, under Hot Topics, Decimalization, as well as the NASD Decimalization Web Page under Testing. Due to the possibility of additions and deletions, there is no guarantee that this list will remain static, and that all of these securities will be available for testing. If one of these securities is no longer available, it will not be replaced. Nasdaq is confident that such changes will be minimal and that a majority of these securities will be available.

Key Dates For Industry Implementation

Checkpoint/Phase	Action	Date
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 IIA-21[1]	Additional NYSE equities and Associated Options	December 4, 2000
Phase IIB	Full Conversion Exchange-Listed Issues and Associated Options	January 29, 2001
Checkpoint IV-A	Determine Readiness for Limited Nasdaq Issues and Associated Options	March 5, 2001
Phase III-A	**10-15 Nasdaq Issues and Associated Options**	**March 12, 2001**
Checkpoint IV-B	Determine Readiness for Additional Nasdaq Issues and Associated Options	March 5, 2001
Phase IV-A	**100-200 Additional Nasdaq Issues and Associated Options**	**March 26, 2001**
Checkpoint V	Determine Readiness for All Markets, Full Implementation	April 2, 2001
Phase IV-B	**All Markets, Full Implementation**	**April 9, 2001**

To view the complete Exchange Committee implementation plan submitted to the SEC, visit the SEC Web Site located at *www.sec.gov (http://www.sec.gov/rules/othern/decimalp.htm)*. The SEC has not given final approval to the plan.

Endnote

1 Phase IIA-2 was not part of the original submission to the SEC. At Checkpoint III, held November 1, 2000, a decision was made to begin trading additional New York Stock Exchange equities and their associated options in decimals.

INFORMATIONAL

Rules For Arbitrator Challenges

REVISED — SUPERSEDES NTM 01-04[1]

SEC Approves Amendments To Director's Authority To Remove Arbitrators For Cause; **Effective Date: March 8, 2001**

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
- Registered Representatives

KEY TOPICS

- Arbitration
- Arbitrator Challenges

Executive Summary

On December 8, 2000, the Securities and Exchange Commission (SEC) approved amendments to National Association of Securities Dealers, Inc. (NASD®) Rules 10308 and 10312 to provide authority for the Director of Arbitration (Director) to remove arbitrators for cause after hearings have begun.[2] The Code of Arbitration Procedure (Code) presently provides that the authority of the Director to remove an arbitrator for cause ceases after the earlier of the first pre-hearing conference or the first hearing. The amendments eliminate this restriction, and allow the Director or the President of NASD Dispute Resolution, Inc. (NASD Dispute Resolution) non-delegable authority to remove an arbitrator for cause[3] at any time and, if the challenge is raised after the initial pre-hearing or hearing session, to require that it be based on information not known to the parties when the arbitrator was appointed.

Included with this *Notice* is Attachment A, the text of the amendments that will become effective on March 8, 2001.

Questions/Further Information

Questions regarding this *Notice* may be directed to George H. Friedman, Senior Vice President and Director, NASD Dispute Resolution, Inc., at (212) 858-4488; or Jean I. Feeney, Special Advisor to the President, NASD Dispute Resolution, Inc., at (202) 728-6959.

Discussion

Background

In order to protect the integrity of the arbitration process and to ensure the impartiality of arbitrators, Rule 10312(a) requires that arbitrators make full disclosure of certain enumerated interests, relationships, and circumstances, as well as "any circumstances which might preclude such arbitrator from rendering an objective and impartial determination." Under the current list selection method for choosing arbitrators, Rule 10308(b)(6) requires the Director to send the parties the employment history and other background information about the arbitrators on their lists. The parties may request additional information. Then, as provided in Rule 10308(c), they may strike any number of arbitrators from the list for any reason, and rank those who remain. The Director or his staff[4] consolidates the parties' lists in ranking order and, if the number of arbitrators available to serve from the consolidated list is not sufficient to fill a panel, the Director uses the Neutral List Selection System (NLSS) to extend the list and appoints one or more additional arbitrators to complete the panel. Parties receive information about any arbitrators appointed by extending the list, and have the right to raise for-cause challenges as provided in Rule 10308(d)(1).

Rule 10308(c)(4)(A) provides that the Director appoints arbitrators "subject to availability and disqualification." "Availability" refers to the arbitrator's ability to serve on the case in the desired location during the relevant time period. "Disqualification" could occur either (i) when a disqualifying fact is revealed to the Director after the parties have completed the striking and ranking process, or (ii) when the Director consults with a ranked arbitrator candidate just prior to appointment and the candidate, upon hearing more case-specific information, reveals information that the Director determines is a basis for disqualification. In the latter case, the Director would either drop the arbitrator, or disclose the information to the parties and invite their views on whether the arbitrator should serve.

Under Rule 10312(c), an arbitrator's disclosure obligation continues throughout the arbitration. If a disqualifying fact comes to light after a panel has been appointed, Rules 10308(d) and 10312(d) permit the Director to remove an arbitrator based on such information before the earlier of the first pre-hearing conference or the first hearing. Once one of these events occurs, Rules 10308(d)(2) and 10312(f) currently state that the Director's authority to remove an arbitrator ceases.

Nevertheless, current Rule 10312(f) requires the Director to inform the parties of any potentially disqualifying information disclosed after the first pre-hearing or hearing session. At that point, however, a party can no longer use a challenge for cause to remove the arbitrator. Therefore, when a for-cause objection is raised after the first pre-hearing or hearing session, the arbitrator can only be removed where he or she agrees to step down or all the parties agree that the arbitrator should be removed. Failing that, an aggrieved party's only recourse is to seek judicial intervention, which increases the party's legal expenses, causes delays, and reduces confidence in the fairness and efficiency of the arbitration process.

NASD Dispute Resolution believes that an alternative dispute resolution forum should be able to resolve all issues relating to an arbitration without forcing the parties to go to court. Accordingly, NASD Dispute Resolution has amended the Code to permit the Director to remove an arbitrator for cause at any time and, if the challenge is raised after the initial pre-hearing or hearing session, to require that it be based on information not known to the parties when the arbitrator was appointed. In addition, certain minor language changes have been made to clarify that both relationships and circumstances must be disclosed if they fit within the criteria of Rule 10312, and that the Rule is not limited to personal relationships and circumstances of the arbitrator, as described in more detail below.

Some users of the arbitration forum may be concerned about the ability of the staff to remove arbitrators who were selected by the parties, based on one party's objection. To address that concern, the amendments provide that the only persons who can remove arbitrators after the first pre-hearing or hearing session are the Director and the President of NASD Dispute Resolution. This authority cannot be delegated. In addition, as discussed above, removal after the first pre-hearing or hearing session can only be based on information: (1) that is required to be disclosed pursuant to Rule 10312; and (2) that was not known to the parties at the time the arbitrator was appointed.

Description Of Amendments

NASD Dispute Resolution has amended Rule 10308, the list selection rule, to provide that the authority of the Director to disqualify or remove arbitrators does not end when the first pre-hearing or hearing session begins. Rather, amended 10308(d)(2) provides that, after that first session, the Director may remove an arbitrator from an arbitration panel based on information that is required to be disclosed pursuant to Rule 10312 and that was not previously disclosed.

Rule 10312, the arbitrator disclosure rule, has been amended in several places. Rule 10312(a)(2) has been amended to include disclosure of existing or past financial, business, professional, family, social, or other relationships or circumstances that are likely to affect impartiality or might reasonably create an appearance of partiality or bias. The word "personally" has been deleted from the second sentence of Rule 10312(a)(2), as it might be read too narrowly, and the phrase "or circumstances" has been added to paragraphs (b) and (e) of Rule 10312. This clarifies that the arbitrator is required to disclose *any* relationships or circumstances that might fit under Rule 10312.

NASD Dispute Resolution also has amended Rule 10312 to provide, as in Rule 10308, that the Director's authority to remove arbitrators does not cease with the first pre-hearing or hearing session. There are two restrictions on the exercise of this authority, however, once such sessions have begun. Amended Rule 10312(d)(2) provides that, after the earlier of the first pre-hearing conference or the first hearing, the Director may remove an arbitrator based only on information not known to the parties when the arbitrator was selected. This provision is intended to prevent parties from raising challenges late in the process that could have been raised at the outset. Amended Rule 10312(d)(2) also provides that the Director's authority under this subparagraph may only be exercised by the Director or by the President of NASD Dispute Resolution.

Rule 10312(e) has been amended to be consistent with the above changes, and Rule 10312(f) is deleted as no longer necessary in light of the preceding changes.

Effective Date

The amended rule will apply to claims filed on or after March 8, 2001, and all claims currently pending before NASD Dispute Resolution on March 8, 2001.

Endnotes

1 This *Notice to Members* supersedes *Notice to Members 01-04*, which is hereby rescinded and should be disregarded.

2 Exchange Act Release No. 43695 (Dec. 8, 2000) (File No. SR-NASD-00-34), 65 Federal Register 78520 (Dec. 15, 2000).

3 The standard for circumstances that would be considered "for cause" would be the same as the general disclosure standard contained in Rule 10312: "any circumstances which might preclude such arbitrator from rendering an objective and impartial determination."

4 Rules 10103 provides that the duties and functions of the Director may be delegated, as appropriate (but see revised Rule 10312(d)(2), contained in the Attachment, which prohibits delegation in certain circumstances).

ATTACHMENT A

Text Of Amendments

New language is underlined; deletions are in brackets.

10000. Code Of Arbitration Procedure

10308. Selection of Arbitrators

(a) - (c) Unchanged.

(d) Disqualification and Removal of Arbitrator Due to Conflict of Interest or Bias

(1) Disqualification by Director
After the appointment of an arbitrator and prior to the commencement of the earlier of (A) the first pre-hearing conference or (B) the first hearing, if the Director or a party objects to the continued service of the arbitrator, the Director shall determine if the arbitrator should be disqualified. If the Director sends a notice to the parties that the arbitrator shall be disqualified, the arbitrator will be disqualified unless the parties unanimously agree otherwise in writing and notify the Director not later than 15 days after the Director sent the notice.

(2) [Authority of Director to Disqualify Ceases] Removal by Director
After the commencement of the earlier of (A) the first pre-hearing conference or (B) the first hearing, the Director['s authority to] may remove an arbitrator from an arbitration panel [ceases] based on information that is required to be disclosed pursuant to Rule 10312 and that was not previously disclosed.

(3) Unchanged.

(e) Unchanged.

10312. Disclosures Required of Arbitrators and Director's Authority to Disqualify

(a) Each arbitrator shall be required to disclose to the Director of Arbitration any circumstances which might preclude such arbitrator from rendering an objective and impartial determination. Each arbitrator shall disclose:

(1) Any direct or indirect financial or personal interest in the outcome of the arbitration;

(2) Any existing or past financial, business, professional, family, [or] social, or other relationships or circumstances that are likely to affect impartiality or might reasonably create an appearance of partiality or bias. Persons requested to serve as arbitrators should disclose any such relationships or circumstances that they [personally] have with any party or its counsel, or with any individual whom they have been told will be a witness. They should also disclose any such relationship or circumstances involving members of their families or their current employers, partners, or business associates.

(b) Persons who are requested to accept appointment as arbitrators should make a reasonable effort to inform themselves of any interests, [or] relationships or circumstances described in paragraph (a) above.

(c) The obligation to disclose interests, relationships, or circumstances that might preclude an arbitrator from rendering an objective and impartial determination described in paragraph (a) is a continuing duty that requires a person who accepts appointment as an arbitrator to disclose, at any stage of the arbitration, any such interests, relationships, or circumstances that arise, or are recalled or discovered.

(d) Removal by Director
[Prior to the commencement of the earlier of (1) the first pre-hearing conference or (2) the first hearing, the]

(1) The Director may remove an arbitrator based on information that is required to be disclosed pursuant to this Rule.

(2) After the commencement of the earlier of (A) the first pre-hearing conference or (B) the first hearing, the Director may remove an arbitrator based only on information not known to the parties when the arbitrator was selected. The Director's authority under this subparagraph (2) may be exercised only by the Director or the President of NASD Dispute Resolution.

(e) [Prior to the commencement of the earlier of (1) the first pre-hearing conference or (2) the first hearing, t]The Director shall inform the parties to an arbitration proceeding of any information disclosed to the Director under this Rule unless either the arbitrator who disclosed the information withdraws voluntarily as soon as the arbitrator learns of any interest, [or] relationship, or circumstances described in paragraph (a) that might preclude the arbitrator from rendering an objective and impartial determination in the proceeding, or the Director removes the arbitrator.

[(f) After the commencement of the earlier of (1) the first pre-hearing

conference or (2) the first hearing, the Director's authority to remove an arbitrator from an arbitration panel ceases. During this period, the Director shall inform the parties of any information disclosed by an arbitrator under this Rule.]

INFORMATIONAL

Continuing Education—In-Firm Delivery Of The Regulatory Element

SEC Approves Revision To Membership And Registration Rule 1120 —Continuing Education Requirements— Permitting In-Firm Delivery

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.

- Continuing Education
- Legal & Compliance
- Registration Department
- Senior Management

KEY TOPICS

- NASD Membership and Registration Rule 1120
- In-Firm Delivery
- Regulatory Element

Executive Summary

On December 11, 2000, the Securities and Exchange Commission (SEC) approved a revision to NASD® Membership and Registration Rule 1120, Continuing Education Requirements. Effective March 11, 2001, Rule 1120 permits a member firm to deliver the Regulatory Element computer-based training to registered persons on firm premises—also called "In-Firm Delivery"— as an option to having persons take the training at a Sylvan/Prometric Technology Center.

Questions/Further Information

Questions concerning this *Notice* may be directed to John Linnehan, Director, Continuing Education, NASD Regulation, Inc. (NASDR) at (240) 386-4684, or Heather Bevans, NASDR Continuing Education Communications Coordinator, at (240) 386-4685.

Background

NASD rules require all registered persons to participate in a prescribed Regulatory Element computer-based training session within 120 days of their second registration anniversary date and every three years thereafter. There are three Regulatory Element programs: 1) the S201 for registered Supervisors/Principals, 2) the S106 for Investment Company Products/Variable Contracts Representatives, and 3) the S101 for General Securities Representatives and other registration categories not required to take the Supervisor or Series 6 programs.

Before the Securities Industry/Regulatory Council on Continuing Education[1] developed the requirements for In-Firm Delivery, registered persons could only participate in the Regulatory Element at Sylvan/Prometric Technology Centers located throughout the United States. The Regulatory Element continues to be offered at Sylvan/Prometric Technology Centers; however, effective March 11, 2001, member firms will be permitted to deliver the Regulatory Element on their premises provided the firms comply with specific requirements relating to supervision, delivery site(s), technology, administration, and proctoring. Firms offering In-Firm Delivery may continue to send their registered persons to Sylvan/Prometric locations.

Firms offering In-Firm Delivery will continue to have their CRD accounts charged for each Regulatory Element delivery. The charge will be $62 versus $65 charged when the representative takes a Regulatory Element session at a Sylvan/Prometric Technology Center. There will, however, be no charge to a firm if a representative cancels or does not keep an In-Firm Delivery appointment, whereas firms will continue to be charged $65 if a representative does not keep or cancels with too short notice a Sylvan/Prometric appointment.

The following are the different requirements for In-Firm Delivery.

1. Supervisory Requirements — Firms must designate a registered principal to be responsible for In-Firm Delivery at the firm, and they must revise their Written Supervisory Procedures to include:

1. The principal/officer designated as responsible for In-Firm Delivery, and the name(s) of individuals authorized by the firm to serve as proctors.
2. The location of the firm's delivery site(s).

3. The procedures implemented to comply with the requirements of In-Firm Delivery of the Regulatory Element.

Before commencing In-Firm Delivery of the Regulatory Element, members are required to file with their Designated Examining Authority (DEA) a *Letter Of Attestation* (part of Attachment A) signed by a principal executive officer or executive representative, attesting to the establishment of required procedures addressing principal in-charge, supervision, In-Firm Delivery site(s), technology, administration, and proctoring. *Letters Of Attestation* filed with NASD Regulation, Inc. should be sent to Member Regulation, Continuing Education Department, 3rd Floor, 9509 Key West Avenue, Rockville, MD 20850.

2. Site Requirements — Delivery of the Regulatory Element must take place in an environment conducive to training, such as a training facility, conference room, or other area dedicated to this purpose. Personal offices or any other locations that cannot be secured from traffic and interruptions are not acceptable. Where there are multiple delivery terminals in one room, adequate separation between terminals must be maintained. Firms may have more than one site for In-Firm Delivery, but the locations of all delivery sites must be under the control of the firm and must be listed in the firm's Written Supervisory Procedures. All In-Firm Delivery sites must be made available for inspection by the firm's DEA.

3. Technology Requirements — Communication lines and In-Firm Delivery computer hardware and software must comply with standards (Attachment B) established by Virtual University Enterprises (VUE), a division of NCS Pearson, Inc., the vendor designated by NASDR to facilitate In-Firm Delivery. Firms must install *VUE Testing System* software (*Testing System*) for each In-Firm Delivery site the firm operates, and execute a single software licensing agreement with VUE. The *Testing System* software costs $600 to install at each site.

4. Administrative Requirements — Firms must schedule all Regulatory Element appointments in advance using the *Testing System* software and deliver Regulatory Element training in accordance with the procedures in the *VUE Testing Center Guide* (*Testing Guide*). The *Testing Guide* will be sent once the firm executes the software license agreement with VUE.

5. Proctor Requirements — A proctor must be present at every Regulatory Element session delivered at the firm. Proctors must be registered persons and be supervised by the principal/officer in charge. Proctors must follow the policies and procedures in the *VUE Testing Center Guide*. Important responsibilities of proctors are to check candidate IDs, supervise proper completion of *Rules of Conduct Forms* (including fingerprints), and maintain the training center *Sign-In Log*.

How To Begin — Firms should take the following steps to implement In-Firm Delivery.

1. Contact the NASD Regulation Continuing Education Department at (240) 386-4685 to obtain an information kit about In-Firm Delivery. The kit will include guidelines on establishing an In-Firm Delivery site and a detailed summary of the procedures firms will have to follow to operate the site.
2. Establish an In-Firm Delivery site that satisfies the requirements of Rule 1120.
3. Update the firm's Written Supervisory Procedures so that they include:
   - the name of the Principal in charge of In-Firm Delivery
   - the names of registered proctors
   - the location of all training sites at the firm
   - the procedures staff will follow to operate the In-Firm Delivery site(s).
4. File the *Letter of Attestation* (part of Attachment A) with NASD Regulation.

After firms file their *Letter of Attestation*, the Continuing Education Department will have VUE contact the firm to arrange for signing the *Software Licensing Agreement* and installing the VUE software.

Endnotes

1 The Council facilitates industry/regulatory coordination of the Securities Industry Continuing Education Program's administration and its future development. The Council comprises 14 individuals from a broad cross section of industry firms and six self-regulatory organizations. Industry representatives serve three-year terms and are selected through a nominating committee process. Both the SEC and the North American Securities Administrators Association (NASAA) have liaison staff assigned to the Council.

ATTACHMENT A

1000. Membership, Registration And Qualification Requirements

Text of the change to Rule 1120, Continuing Education relating to In-Firm Delivery of the Regulatory Element. New text is in [brackets].

* * *

1120. Continuing Education Requirements

This Rule prescribes requirements regarding the continuing education of certain registered persons subsequent to their initial qualification and registration with the Association. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(a) Regulatory Element

(1) through (5) No change

[(6) In-Firm Delivery of the Regulatory Element

Members will be permitted to administer the continuing education Regulatory Element program to their registered persons by instituting an in-firm program acceptable to the Association.

The following procedures are required:

(A) Principal/Officer In-Charge. The firm has designated a principal to be responsible for the in-firm delivery of the Regulatory Element.

(B) Site Requirements.

(i) The location of all delivery sites will be under the control of the firm.

(ii) Delivery of Regulatory Element continuing education will take place in an environment conducive to training. (Examples: a training facility, conference room or other area dedicated to this purpose would be appropriate. Inappropriate locations would include a personal office or any location that is not or cannot be secured from traffic and interruptions.)

(iii) Where multiple delivery terminals are placed in a room, adequate separation between terminals will be maintained.

(C) Technology Requirements. The communication links and firm delivery computer hardware must comply with standards defined by the Association or its designated vendor.

(D) Supervision.

(i) The firm's Written Supervisory Procedures must contain the procedures implemented to comply with the requirements of in-firm delivery of the Regulatory Element continuing education.

(ii) The firm's Written Supervisory Procedures must identify the principal designated pursuant to Rule 1120(a)(6)(A) and contain a list of individuals authorized by the firm to serve as proctors.

(iii) Firm locations for delivery of the Regulatory Element continuing education will be specifically listed in the firm's Written Supervisory Procedures.

(E) Proctors.

(i) All sessions will be proctored by an authorized person during the entire Regulatory Element session. Proctors must be present in the session room or must be able to view the person(s) sitting for Regulatory Element continuing education through a window or by video monitor.

(ii) The individual responsible for proctoring at each administration will sign a certification that required procedures have been followed, that no material from Regulatory Element continuing education has been reproduced, and that no candidate received any assistance to complete the session. Such certification may be part of the sign-in log required under Rule 1120(a)(6)(F).

(iii) Individuals serving as proctors must be persons registered with an SRO and supervised by the designated principal for purposes of in-firm delivery of the Regulatory Element continuing education.

(iv) Proctors will check and verify the identification of all individuals taking Regulatory Element continuing education.

(F) Administration.

(i) All appointments will be scheduled in advance using the procedures and software specified by the Association to communicate with the Association's system and designated vendor.

(ii) The firm/proctor will conduct each session in accordance with the administrative appointment scheduling procedures established by the Association or its designated vendor.

(iii) A sign-in log will be maintained at the delivery facility. Logs will contain the date of each session, the name and social security number of the individual taking the session, that required identification was checked, the sign-in time, the sign-out time, and the name of the individual proctoring the session. Such logs are required to be retained pursuant to SEC Rules 17a-3 and 17a-4.

(iv) No material will be permitted to be utilized for the session nor may any session-related material be removed.

(v) Delivery sites will be made available for inspection by the SROs.

(vi) Before commencing in-firm delivery of the Regulatory Element continuing education, members are required to file with their Designated Examining Authority ("DEA"), a letter of attestation (as specified below) signed by a principal executive officer or executive representative, attesting to the establishment of required procedures addressing principal in-charge, supervision, site, technology, proctors, and administrative requirements. Letters filed with NASD Regulation, Inc. should be sent to Member Regulation, Continuing Education Department, 9509 Key West Avenue, Rockville, MD 20850.

Letter of Attestation for In-Firm Delivery of Regulatory Element Continuing Education

{Name of member} has established procedures for delivering Regulatory Element continuing education on its premises. I have determined that these procedures are reasonably designed to comply with SRO requirements pertaining to in-firm delivery of Regulatory Element continuing education, including that such procedures have been implemented to comply with principal/officer in-charge, supervision, site, technology, proctors, and administrative requirements.

_____

Signature

_____

Printed name

_____

Title {Must be signed by a Principal Executive Officer (or Executive Representative) of the firm}

_____

Date]

(b) **Firm Element** No change.

* * *

ATTACHMENT B

In-Firm Delivery Site Hardware And Software Specifications

Firms may procure the required equipment themselves or contract with Virtual University Enterprises (VUE), a division of NCS Pearson, Inc., the vendor designated to facilitate In-Firm Delivery.

Hardware

Administrator Station And Training Station Specifications — A site will need one administrator station. Administrator stations must run Windows NT. A site can have as many training stations as it would like. All of the computers must be part of a workgroup or LAN. The training stations must run Windows 98 or Windows NT-English language version only. They must meet or exceed the following minimum configuration:

- IBM PC or compatible
- Pentium 300 Mhz (or better)
- 128 MB RAM
- 17" SVGA monitor with video card, capable of 800X600 resolution and 256 colors, and 1 MB of video RAM
- Minimum 3 gigabytes of free local hard drive space
- Microsoft or compatible Mouse and associated driver
- Network interface
- Local CD ROM (8X)
- Headphones
- SoundBlaster or compatible audio card

Communications Specifications — Internet access via high-speed connection, e.g., ISDN, DSL, T1, etc.

Shared Storage Space — The Software requires at least 12 gigabytes of shared disk storage on the local area network. This space is required for the storage of the continuing education software and the required scheduling and administrative software (see below). The shared disk storage must be accessible by the training stations and the administrator station.

Printers — Administrator and training stations must have access to an inkjet or laserjet printer located outside the training room.

Backups — Shared storage must be backed up each business day.

Software

Firms must use the software applications of the VUE Testing System and execute a *Software License Agreement* with VUE. There is a $600 **per site** charge to install the software. VUE will provide firms with the *VUE Testing Center Guide*, which contains information about using the Testing System applications and about In-Firm Delivery site policies and procedures. VUE will also provide technical support for software installation, and ongoing operations of the site.

Hardware specifications as of 01/12/01

FIPS Changes

Fixed Income Pricing System Additions, Changes, And Deletions As Of **December 26, 2000**

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.

- Corporate Finance
- Legal & Compliance
- Municipal/Government Securities
- Operations
- Senior Management
- Trading and Market Making

KEY TOPICS

- FIPS

As of December 26, 2000, the following bonds were added to the Fixed Income Pricing System℠ (FIPS℠).

Symbol	Name	Coupon	Maturity
AES.GH	AES Corp	8.750	12/15/02
ASNC.GA	Asat Finance LLC	12.500	11/01/06
CCK.GA	Crown Cork & Seal Inc	6.750	04/15/03
CCK.GB	Crown Cork & Seal Inc	8.000	04/15/23
CCK.GC	Crown Cork & Seal Inc	8.375	01/15/05
CCK.GD	Crown Cork & Seal Inc	7.375	12/15/26
CCK.GE	Crown Cork & Seal Inc	7.125	09/01/02
CYSM.GA	Condor Systems Inc	11.875	05/01/09
EIX.GA	Edison International	6.875	09/15/04
GNV.GA	Geneva Steel	11.125	03/15/01
GNV.GB	Geneva Steel	9.500	01/15/04
GRP.GA	Grand Prideco Inc	9.625	12/01/07
HRC.GB	Healthsouth Corp	10.750	10/01/08
MCLD.GF	McLeodUSA Inc	12.000	07/15/08
MCLD.GG	McLeodUSA Inc	11.500	05/01/09
MCLD.GH	McLeodUSA Inc	11.375	01/01/09
MGMA.GA	MGM Mirage	8.375	02/01/11
NTLO.GA	CFW Comm Co (NTELOS Inc)	13.000	08/15/10
PCGE.GA	Pacific Gas & Electric Company	8.800	05/01/24
PCGE.GB	Pacific Gas & Electric Company	7.875	03/01/02
PCGE.GC	Pacific Gas & Electric Company	8.375	05/01/25
PCGE.GD	Pacific Gas & Electric Company	8.250	11/01/22
PCGE.GE	Pacific Gas & Electric Company	7.250	03/01/26
PCGE.GF	Pacific Gas & Electric Company	6.250	08/01/03
PCGE.GG	Pacific Gas & Electric Company	7.250	08/01/26
PCGE.GH	Pacific Gas & Electric Company	5.875	10/01/05
PCGE.GI	Pacific Gas & Electric Company	6.750	10/01/23
PCGE.GJ	Pacific Gas & Electric Company	6.250	03/01/04
PCGE.GK	Pacific Gas & Electric Company	7.050	03/01/24
SCEP.GA	Southern California Edison Co	7.250	03/01/26
SCEP.GB	Southern California Edison Co	6.250	06/15/03
SCEP.GC	Southern California Edison Co	7.125	07/15/25
SCEP.GD	Southern California Edison Co	5.875	09/01/04
SCEP.GE	Southern California Edison Co	6.900	10/01/18
SCEP.GF	Southern California Edison Co	5.625	10/01/02
SCEP.GG	Southern California Edison Co	6.500	06/01/01
SCEP.GH	Southern California Edison Co	6.375	01/15/06
SCEP.GI	Southern California Edison Co	6.650	04/01/29
SCEP.GJ	Southern California Edison Co	7.625	01/15/10
SCEP.GK	Southern California Edison Co	0.000	11/03/03
SCEP.GL	Southern California Edison Co	0.000	05/01/02
TVCR.GA	TravelCenters of America	12.750	05/01/09

As of December 26, 2000, the following bonds were deleted from the Fixed Income Pricing System.

Symbol	Name	Coupon	Maturity
APH.GA	Amphenol Corp	12.750	12/15/02
APVU.GA	Apparel Ventures Inc	12.250	12/31/00
ASGB.GA	Asia Global Crossings LTD	13.375	10/15/10
ATUC.GA	Atrium Companies Inc	10.500	11/15/06
CGME.GA	Colorado Gaming & Ent Co	12.000	06/01/03
CHK.GH	Chesapeake Energy Corp	12.000	03/01/01
CLHS.GA	Coast Hotels & Casinos Inc	13.000	12/15/02
COSE.GA	Costilla Energy Inc	10.250	10/01/06
CPE.GA	Callon Petroleum Co	10.000	12/15/01
EMEN.GA	Empress Entertainment Inc	8.125	07/01/06
FDLD.GA	Federal Data Corp	10.125	08/01/05
FMAC.GA	First Merchants Accept Corp	9.500	12/15/06
FOMX.GA	Foamex L.P./Cap Corp	11.250	10/01/02
FOMX.GB	Foamex L.P./Cap Corp	11.875	10/01/04
GLNM.GA	General Media Inc	10.625	12/31/00
GNV.GA	Geneva Steel	11.125	03/15/01
GNV.GB	Geneva Steel	9.500	01/15/04
SFC.GA	Southern Pacific Funding	11.500	11/01/04
TYVT.GA	Taylor Investment Corp	11.000	01/01/01
USAR.LK	US Airways Inc	10.600	01/01/01
USAR.LL	US Airways Inc	10.600	01/01/01
USAR.LM	US Airways Inc	10.600	01/01/01
USAR.LN	US Airways Inc	10.600	01/01/01
USAR.LO	US Airways Inc	10.600	01/01/01
USAR.LP	US Airways Inc	10.600	01/01/01
USAR.LQ	US Airways Inc	10.600	01/01/01
USAR.LR	US Airways Inc	10.600	01/01/01

As of December 26, 2000, changes were made to the symbols/names of the following FIPS bonds:

New Symbol	Old Symbol	New Name/Old Name	Coupon	Maturity
WTXI.GA	WTX.GA	WorldTex Inc/WorldTex Inc	9.625	12/15/07

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPS trade-reporting rules should be directed to Patricia Casimates, NASDR Market Regulation, at (301) 590-6447.

Any questions regarding the FIPS master file should be directed to Cheryl Glowacki, Nasdaq® Market Operations, at (203) 385-6310.

Disciplinary Actions

Disciplinary Actions Reported For February

NASD Regulation, Inc. (NASD Regulation℠) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD®) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). The information relating to matters contained in this *Notice* is current as of the end of January 22, 2001.

Firms Fined, Individuals Sanctioned

Anglo-America Investors Services Corp. (CRD #14279, Charlottesville, Virginia), Timothy McLaurine Jones (CRD #2784009, Registered Representative, Charlottesville, Virginia), Robin Cordell Rodriguez (CRD #1231366, Registered Principal, Ruckersville, Virginia), and Charles Francis Robinson (CRD #1560335, Registered Principal, Charlottesville, Virginia) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined $15,000. Jones was fined $5,000 and suspended from association with any NASD member in any capacity for five business days. Rodriguez was fined $7,500, and suspended from association with any NASD member in any capacity for 15 business days. Robinson was fined $5,000, and suspended from association with any NASD member in any capacity for 10 business days with the exception that he may act as a Limited Principal – Financial and Operations – for the firm during the suspension. In addition, the firm and Rodriquez were fined $2,500, jointly and severally, and the firm and Robinson were fined $2,500, jointly and severally.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Jones functioned as an equity trader, and the firm, Rodriguez, and Robinson permitted him to do so, without having taken the equity trader exam, or having been registered as an equity trader with the NASD. Moreover, the NASD found that Jones had not qualified or been registered as a general securities sales representative and the firm, Rodriguez, and Robinson permitted him to function in that capacity without registering as such with the NASD. The findings also stated that Rodriguez functioned as an equity trader and supervisor, and Robinson functioned as an equity trader supervisor, and the firm permitted them to do so, without having taking the equity trader exam, or without having been registered as an equity trader with the NASD.

Jones' suspension began January 16, 2001, and concluded at the close of business on January 22, 2001. Rodriguez's suspension began January 22, 2001, and concluded at the close of business on February 9, 2001. Robinson's suspension began on February 12, 2001, and will conclude at the close of business on February 26, 2001. **(NASD Case #C07000099)**

Pacific Capital Management, Inc. (CRD #23343, Monterey, California) and Frank Wing Fai Ma (CRD #1000790, Registered Principal, Pasadena, California) submitted an Offer of Settlement in which the firm was censured, and the firm and Ma were fined $20,635, jointly and severally. In addition, Ma was suspended from association with any NASD member in the capacity of a general securities principal for six months and ordered to requalify by exam as a general securities principal during the suspension. If Ma fails to requalify at the end of the suspension period, he will continue

to be suspended until he requalifies. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Ma, permitted individuals to engage in the securities business without benefit of registration in any capacity with the NASD. According to the findings, the firm and Ma entered into an arrangement in which the individuals would telephone a customer order to Ma, and Ma would cause the order to be effected through the firm's clearing broker. Ma would open the account for the customers and the customer account statement listed Ma as the account executive of record.

Ma's suspension began January 16, 2001, and will conclude on July 15, 2001. **(NASD Case #C02000044)**

Firms And Individuals Fined

Donald & Co. Securities, Inc. (CRD #7776, New York, New York) and Stephen Allan Blum (CRD #600373, Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined $10,000, jointly and severally, and the firm was fined an additional $20,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Blum, violated its membership agreement with the NASD by conducting a municipal securities business on a principal basis, and by making markets in OTC Bulletin Board® securities, and failed to file with the NASD a written notice and application for continuance in membership based on a change in its business operations. The findings also stated that the firm revealed transactions in which the firm improperly used the "O." modifier, and failed to report a short sale where the firm's cumulative position in a stock in which it made a market was short. The NASD also found that the firm failed to update its quote in limit orders and to display the size and price of the quote within 30 seconds when the customer's order was priced better than the firm's prevailing quotation. And, the findings stated the firm also failed to contemporaneously or partially execute customer limit orders in Nasdaq securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. Furthermore, the NASD determined that the firm executed a customer order without using diligence to determine the best inter-dealer market for the relevant security so that the resultant price to the customer was as favorable as possible under prevailing market conditions. In addition, the NASD found that the firm failed to establish, maintain, and enforce adequate written supervisory procedures reasonably designed to achieve compliance with NASD rules relating to best execution, and limit order protection and display. **(NASD Case #C9B000039**)

Fine Equities, Inc. (CRD #38004, New York, New York) and Nathan Scott Fine (CRD #850331, Registered Principal, New Canaan, Connecticut) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined $14,500, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Fine, sold shares of stock prior to the security's registration statement being declared effective by the Securities and Exchange Commission (SEC) and failed to maintain sufficient net capital while conducting a securities business. The findings also stated that the firm, acting through Fine, failed to administer a continuing and current education program for its covered registered persons and failed to maintain records for the completion of the program by its covered registered persons. **(NASD Case #C10000223)**

Hanmi Securities, Inc. (CRD #25518, Los Angeles, California) and Eul Hyung Choi (CRD #1592055, Registered Principal, Los Angeles, California) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined $10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Choi, failed to maintain a continuing and current education program for its covered registered persons. The findings also stated that the firm operated an Office of Supervisory Jurisdiction and failed to register this office with the NASD. **(NASD Case #C02000066)**

Firms Fined

Banc of America Securities LLC (CRD #26091, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined $19,000, and required to pay $922.88, plus interest, in restitution to public customers. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed customer buy and sell orders of stocks, and failed to use reasonable diligence to ascertain the best inter-dealer market for the stocks,

and to buy and sell in such a market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. Moreover, the NASD determined that the firm failed to report to the Automated Confirmation Transaction Service℠ (ACT℠) the correct symbol indicating whether transaction reports relating to orders in eligible securities were as principal or agent and failed to accept or decline in ACT transactions in eligible securities within 20 minutes after execution. Furthermore, the findings stated that the firm failed to show the time of execution on the memorandum of brokerage orders; failed to show the correct time of execution on the memorandum of brokerage orders; failed to show the time of entry on the memorandum of brokerage orders; and failed to show the terms and conditions on the memorandum of a brokerage order. The NASD also found that the firm failed to provide written notification disclosing to its customer the correct reported trade price on customer transactions in which it acted as principal for its own account. And the firm failed to immediately display customer limit orders in its public quote, where each such order was at a price better than its public quote, or at a price equal to its public quote when such quote was priced equal to the national best bid or offer in such security and that order represented more than a de minimis change in relation to the size associated with the firm's bid or offer. **(NASD Case #CMS000260)**

Credit Lyonnais Securities (USA), Inc. (CRD #190, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined $15,000, and required to revise its written supervisory procedures concerning transaction reporting and compliance. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit to ACT last sale reports of transactions in Nasdaq National Market® (NNM) and eligible securities. The findings also stated that the firm failed to transmit through ACT, last sale reports of transactions in NNM securities and eligible securities, and failed to designate through ACT, the last sale reports as late, and failed to designate as ".T" through ACT, last sale reports of transactions in NNM securities executed during normal market hours. In addition, the NASD found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning transaction reporting and ACT compliance. **(NASD Case #CMS000259)**

Datek Online Brokerage Services LLC (CRD #5209, Iselin, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined $30,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to ensure that appropriate disclosure of capacity was correctly coded on customer confirmations at the time it changed its coding process, failed to ensure that changes were implemented, and failed to conduct reviews or audits after coding changes were implemented to ensure that its customer confirmations were accurate. The findings also stated that the firm failed to ensure that its written supervisory procedures in place were adequate for correct capacity disclosure and for the review of confirmation disclosure on a periodic basis. The NASD also found that the firm failed to establish, maintain, and enforce written supervisory procedures and a supervisory system reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules regarding written trade confirmations. **(NASD Case #CAF000047)**

GKN Securities Corp. (CRD #19415, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined $40,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously or partially execute limit orders in Nasdaq securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The findings also stated that the firm failed to display immediately customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer for each such security, or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each such security. **(NASD Case #CMS000247)**

International Assets Advisory Corporation (CRD #10645, Winter Park, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined $10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to

transmit to ACT last sale reports of transactions in NNM, OTC Equity securities, and failed to designate through ACT such last sale reports as late. The findings also stated that the firm failed to designate as ".T" through ACT, last sale reports of transactions in OTC equity securities executed outside normal market hours. **(NASD Case #CMS000246)**

Oscar Gruss & Son, Inc. (CRD #2091, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined $10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that as a market maker in securities, without making reasonable efforts to avoid a locked or crossed market by executing transactions with all market makers whose quotations would be locked or crossed, entered bid or ask quotations in The Nasdaq Stock Market which caused a locked or crossed market condition to occur in each instance. **(NASD Case #CMS000255)**

Prime Charter LTD. (CRD #25668, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined $10,000, and required to revise its written supervisory procedures relating to firm quote compliance. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that an order was presented to the firm at the firm's published bid or published offer in an amount up to its published quotation size. The NASD found that the firm failed to execute the orders upon presentment, and thereby failed to honor its published quotation. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning firm quote compliance. **(NASD Case #CMS000248)**

Individuals Barred Or Suspended

Henry Mansfield Akin, III (CRD #2234134, Registered Representative, Glen Allen, Virginia) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Proof of restitution in the amount of $187,113.09 to public customers must be provided prior to reassociating with a member firm. Without admitting or denying the allegations, Akin consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his firm describing the proposed transactions, his proposed role therein, and stating whether he had received, or would receive, selling compensation in connection with the transactions. **(NASD Case #C05000062)**

Milton D. Albuquerque (CRD #3064806, Registered Representative, Santa Monica, California) was barred from association with any NASD member in any capacity. The sanction was based on findings that Albuquerque failed to respond to NASD requests for information. **(NASD Case #C02000040)**

Michael Henry Antell (CRD #2707953, Registered Representative, Brooklyn, New York) was fined $5,000 and barred from association with any NASD member in any capacity. The fine must be paid before reassociating with a member firm. The sanctions were based on findings that Antell effected private securities transactions without providing notice to, or receiving permission from, his firm and made material misrepresentations and improper price predictions to public customers to induce the customers to purchase securities. The findings also stated that Antell effected the purchase of a security in the account of a public customer without the customer's knowledge, authorization, or consent. In addition, the NASD found that Antell failed to respond to NASD requests to appear for on-the-record interviews. **(NASD Case #C10000118)**

Frederick Walter Azeltine (CRD #1969813, Registered Supervisor, Denver, Colorado) was fined $10,000, suspended from association with any NASD member in any capacity for 30 days, and ordered to disgorge $65.20 for making unsuitable recommendations. Azeltine was also fined $10,000, suspended from association with any NASD member in any capacity for 15 days, and ordered to disgorge $820.65 for making negligent price predictions. The sanctions were based on findings that Azeltine made unsuitable recommendations to a public customer concerning the purchase of a security and should have known that the security was speculative and that his recommendation was unsuitable. The findings also stated that Azeltine negligently induced public customers to purchase a security by making price predictions when he knew that there was no reasonable basis for his predictions since the stock was speculative.

Azeltine's suspensions began December 18, 2000, and concluded at the close of business on January 31, 2001. **(NASD Case #C3A000016)**

David Michael Beall (CRD #2002860, Registered Principal, Jericho, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Beall failed to appear for an NASD on-the-record interview and failed to respond to NASD requests for information and documents. **(NASD Case #CAF000032)**

Charles Wayne Berry (CRD #1300104, Registered Representative, Portsmouth, Virginia) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Berry consented to the described sanction and to the entry of findings that he facilitated the withdrawal of funds from an insurance client's annuity and a variable appreciable life insurance contract, without the knowledge or consent of the customer. Furthermore, the NASD found that Berry endorsed the disbursement checks with the customer's name, without her specific authorization, and deposited the proceeds into his personal bank account, thereby commingling the customer's funds with his personal funds. **(NASD Case #C07000067)**

Donald Richard Bisson (CRD #817246, Registered Representative, Windsor, Connecticut) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $5,000, suspended from association with any NASD member in any capacity for six months, and ordered to disgorge $4,200 to public customers. Payment of the fine and satisfactory proof of disgorgement, with interest, must be made before reassociating with a member firm or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Bisson consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without prior written notice to, or approval from, his firm.

Bisson's suspension began January 16, 2001, and will conclude on July 15, 2001. **(NASD Case #C11000031)**

George Evans Brooks (CRD #1066557, Registered Representative, Charlotte, North Carolina) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Brooks failed to respond to NASD requests for information. **(NASD Case #C07980057)**

Gary Byron Callas (CRD #1438843, Registered Representative, Troy, Michigan) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $5,000, suspended from association with any NASD member in any capacity for two years, and ordered to disgorge $20,000 in commissions to public customers. The fine must be paid and proof of disgorgement shall be a prerequisite before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Callas consented to the described sanctions and to the entry of findings that he participated in private securities transactions, for compensation, and failed to give written notice of his intention to engage in such activities to his firm, and failed to receive written approval from his firm, prior to engaging in such activities.

Callas' suspension began January 16, 2001, and will conclude at the close of business on January 15, 2003. **(NASD Case #C8A000074)**

Michael John Cambareri (CRD #2070535, Registered Principal, Mount Kisco, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $15,000 and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, Cambareri consented to the described sanctions and to the entry of findings that he falsified a variable annuity contract application by signing the name of a customer on the application without the customer's prior knowledge, authorization, or consent and certifying on the application that he had witnessed the customer signing the application. The findings also stated that Cambareri made a false statement to his firm in that he represented he was unaware of who signed the application when, in fact, he knew that he had signed it.

Cambareri's suspension began February 5, 2001, and will conclude at the close of business on June 4, 2001. **(NASD Case #C10000213)**

Virgle Lee Chappell (CRD #1078740, Registered Representative, Mustang, Oklahoma) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $5,000 and suspended from association with any NASD member in any capacity for 60 days. The fine must be paid before reassociating with a member firm or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Chappell consented to the described sanctions and to the entry of findings that he signed the names of public customers to property and casualty-related insurance forms without the knowledge or consent of the customers and submitted the forms to an insurance company associated with his firm.

Chappell's suspension began February 5, 2001, and will conclude at the close of business on April 5, 2001. **(NASD Case #C05000056)**

Michael Henry Christ (CRD #1664410, Registered Principal, Lynbrook, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Christ failed to respond to NASD requests to appear for on-the-record interviews. **(NASD Case #C10000132)**

George Christodolou a/k/a George Christo (CRD #2614231, Registered Principal, Staten Island, New York) submitted an Offer of Settlement in which he was fined $10,000, suspended from association with any NASD member in any capacity for 18 months, and ordered to requalify by exam as a general securities representative within 90 days of the expiration of the suspension. If Christodolou fails to requalify within this period, he will be suspended from association with any NASD member in any capacity until he passes the exam. The fine must be paid prior to reassociating with a member firm or prior to requesting relief from any statutory disqualification. Without admitting or denying the allegations, Christodolou consented to the described sanctions and to the entry of findings that he executed transactions in the account of public customers without their prior knowledge, authorization, or consent.

Christodolou's suspension began February 5, 2001, and will conclude on August 4, 2002. **(NASD Case #C10000026)**

Pamela Marlene Cook (CRD #3234389, Associated Person, Montgomery, Alabama) submitted a Letter of Acceptance, Waiver, and Consent in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Cook consented to the described sanction and to the entry of findings that she forged the name of a bank customer on a promissory note form and misused the proceeds of the loan without the customer's knowledge or consent. **(NASD Case #C05010001)**

Robert Alan Corona (CRD #2366356, Registered Representative, Mountain View, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $12,500 and suspended from association with any NASD member in any capacity for 10 days. Without admitting or denying the allegations, Corona consented to the described sanctions and to the entry of findings that he effected securities transactions for the account of a public customer without the customer's prior authorization or consent. The findings also stated that Corona recommended to a public customer purchases and sales of securities without having reasonable grounds for believing that his recommendations were suitable for the customer upon the basis of the facts disclosed by the customer as to other securities holdings, the customer's financial situation, and needs.

Corona's suspension began February 5, 2001, and concluded at the close of business on February 14, 2001. **(NASD Case #C01000039)**

Victor Vonzell Crumity (CRD #3054284, Registered Representative, Orlando, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Crumity consented to the described sanction and to the entry of findings that he issued an insurance policy loan disbursement check in the amount of $2,000 to a public customer without a customer's request. The NASD found that Crumity converted the funds to his own use by depositing the funds into his personal business bank account without authorization from the customer. **(NASD Case #C07000097)**

Joseph J. Curtiss (CRD #2737054, Registered Representative, Delray Beach, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $10,000 and suspended from association with any NASD member in any capacity for nine months. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Curtis consented to the described sanctions and to the entry of findings that he sold and purchased shares of stock in the account of a public customer, without obtaining prior authorization from the customer.

Curtiss' suspension began January 16, 2001, and will conclude at the close of business on October 15, 2001. **(NASD Case #C07000091)**

Michael Ying Deng (CRD #2338954, Registered Representative, Flushing, New York) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Deng consented to the described sanction and to the entry of findings that he deposited a $1,000 insurance refund check payable to a public customer into his personal bank account without the knowledge,

authorization, or consent of the customer. **(NASD Case #C10000152)**

John T. Diasabeyagunawardena a.k.a John Abbey (CRD #2583857, Registered Representative, Metuchen, New Jersey) was barred from association with any NASD member in any capacity. The sanction was based on findings that he failed to respond to NASD requests for information. **(NASD Case #C07000055)**

David Erik Dickinson (CRD #2694576, Registered Representative, Birmingham, Alabama) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dickinson consented to the described sanction and to the entry of findings that he executed unauthorized transactions in the accounts of public customers without their knowledge or consent. **(NASD Case #C05000064)**

Mark Allen Dillon (CRD #1440226, Registered Representative, New Albany, Ohio) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dillon consented to the described sanction and to the entry of findings that he received a $13,107.12 check payable to his firm representing wrap fee income, endorsed the check, deposited the proceeds into his personal bank, and used the proceeds for his own benefit without the knowledge or consent of the firm. **(NASD Case #C8B000021)**

Mikhail Domovich (CRD #2674406, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $5,000, which includes disgorgement of $1,225.40 in commissions earned, and suspended from association with any NASD member in any capacity for five business days. The fine must be paid before reassociating with a member firm or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Domovich consented to the described sanctions and to the entry of findings that he engaged in outside business activities without his firm's prior knowledge, authorization, or consent.

Domovich's suspension began January 16, 2001, and concluded at the close of business on January 22, 2001. **(NASD Case #C10000219)**

Bruce Michael Ellis (CRD #1011492, Registered Principal, Bellevue, Washington) was barred from association with any NASD member in any capacity. The sanction was based on findings that Ellis failed to respond to NASD requests for information. **(NASD Case #C3B000011)**

Matthew Gidcumb Fowler (CRD #2544080, Registered Representative, Mt. Carmel, Illinois) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $5,000 and suspended from association with any NASD member in any capacity for 10 days. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Fowler consented to the described sanctions and to the entry of findings that he failed to properly handle customer funds in that he received and deposited customer checks made payable to an escrow account over which he had control, and subsequently forwarded the customers' funds to appropriate clearing firms.

Fowler's suspension began January 16, 2001, and concluded at the close of business on January 25, 2001. **(NASD Case #C8A000076)**

Craig Carter Fronk (CRD #2271067, Registered Principal, Laguna Niguel, California) was fined $10,000, and suspended from association with any NASD member in any capacity for 30 days, for permitting an individual to actively engage in the management of a securities business without being registered as a securities principal. In addition, Fronk was barred from association with any NASD member in any capacity, and ordered to pay $5,000, plus interest, in restitution to a public customer for making untrue statements of material facts and omitting to disclose material facts to public customers in connection with their purchases of securities. Fronk was also barred from association with any NASD member in any capacity, and ordered to pay $35,000, plus interest, in restitution to a public customer for recommending to the customer the purchase of securities without having reasonable grounds for believing that such recommendations were suitable for the customer. Payment of the fine and the restitution must be made before any application for reentry into the securities industry will be considered. Fronk's bar became effective December 29, 2000. **(NASD Case #C02970012)**

Dennis Lloyd Gagliardi (CRD #1817217, Registered Representative, Hamilton, Ohio) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $15,000, suspended from association with any NASD member in any capacity for one year, and ordered to pay $7,273.58, plus interest, in restitution to public customers. Payment of the fine and proof of payment of the restitution, plus interest, shall be a prerequisite

before reassociating with a member firm or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Gagliardi consented to the described sanctions and to the entry of findings that he sold promissory notes to public customers away from his firm, failed to provide his firm with detailed written notice of the transactions, his role therein, and to receive permission from the firm to engage in the transactions.

Gagliardi's suspension began January 16, 2001, and will conclude at the close of business on January 15, 2002. **(NASD Case #C8B000020)**

Richard Gordon Garrard (CRD #2983167, Registered Representative, Silver Spring, Maryland) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member firm in any capacity. Without admitting or denying the allegations, Garrard consented to the described sanction and to the entry of findings that, without authorization, he caused transfers of funds totaling $6,325.50 to be made from a proprietary account of a bank affiliated with his firm to his personal checking account. **(NASD Case #C9A000044)**

Barry Michael Gerst (CRD #718034, Registered Representative, Little Falls, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $10,000 and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, Gerst consented to the described sanctions and to the entry of findings that he directed a sales agent under his supervision to sign a life insurance policy application that falsely represented that the agent had witnessed a customer sign the application. Furthermore, the findings stated that Gerst signed his name on an amendment form to a life insurance policy falsely representing that he had witnessed the customer sign such a form. The NASD found that Gerst had not witnessed the customer sign the form in his presence. Gerst also provided false and/or misleading investigative testimony to the NASD during an on-the-record interview.

Gerst's suspension began January 22, 2001, and will conclude at the close of business on April 20, 2001. **(NASD Case #C9B000023)**

Patrick Joseph Gillespie (CRD #2515660, Registered Representative, Deer Park, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Gillespie failed to respond to NASD requests for information. **(NASD Case #C10000101)**

Joseph John Giordano (CRD #2684597, Registered Representative, Centereach, New York) was fined $15,000, suspended from association with any NASD member in any capacity for one year, barred from association with any NASD member in any capacity, and ordered to pay $35,179.79, plus interest, in restitution to public customers. The fine must be paid and proof of restitution must be provided before reassociating with a member firm. The sanctions were based on findings that Giordano executed unauthorized trades in the accounts of public customers without discretionary trading authority, and, in order to execute unauthorized trades in furtherance of a fraudulent scheme, failed to follow a customer's instructions to send him stock certificates for a security that he had previously purchased. The findings also stated that Giordano canceled a customer's stockholding without authorization and made a specific price prediction to a public customer about an unseasoned security without an adequate, accurate, or reasonable basis for the prediction.

Giordano's bar became effective December 27, 2000. **(NASD Case #CAF000021)**

Averell Golub (CRD #2083375, Registered Representative, Brooklyn, New York) was fined $10,000, suspended from association with any NASD member in any capacity for one year, and ordered to pay $20,527.48, plus interest, in restitution to a public customer within 60 days from the date of the National Adjudicatory Council (NAC) decision. The NAC imposed the sanctions following appeal and call for review of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that Golub engaged in material misrepresentations to public customers regarding a security, failed to disclose any negative information about the issuer, and fraudulently induced the customers to purchase the security.

Golub's suspension began January 16, 2001, and will conclude at the close of business on January 15, 2002. **(NASD Case #C10990024)**

Alan Paul Hans, Sr. (CRD #236095, Registered Representative, Mount Laurel, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hans consented to the described sanction and to the entry of findings that he failed to respond to an NASD request for information. **(NASD Case #C9A000045)**

Daniel Richard Howard (CRD #1112346, Registered Representative, Cambridge, Massachusetts) was fined $17,500 and suspended from association with any NASD member in any capacity for two years for unsuitable recommendations. He was also fined $7,500 and suspended from association with any NASD member in any capacity for 90 days for inaccurate Forms U-4. The suspensions shall run concurrently. The NAC imposed the sanctions following appeal of an OHO decision. The sanctions were based on findings that Howard made unsuitable recommendations to a public customer and failed to update his Form U-4 to disclose that he was the subject of a complaint, investigation, or proceeding.

Howard has appealed this action to the SEC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C11970032)**

Lewis Nathan Howard (CRD #251275, Registered Principal, Hawthorne, New Jersey) submitted an Offer of Settlement in which he was suspended from association with any NASD member in any capacity for two years and ordered to pay $181,848.84 in restitution to public customers. Satisfactory proof of payment of restitution, with interest, must be made before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Howard consented to the described sanctions and to the entry of findings that, while exercising control over customers' accounts, he used discretion and recommended to customers numerous purchases and sale transactions in various securities without having reasonable grounds for believing that such transactions were suitable for customers in view of the size and frequency of the transactions, the nature of the account, and the customers' financial situation and needs.

Howard's suspension began February 5, 2001, and will conclude at the close of business on February 4, 2003. **(NASD Case #C9B000018)**

Randy Ray Hughes (CRD #2656598, Registered Representative, Racine, Wisconsin) was barred from association with any NASD member in any capacity. The sanction was based on findings that Hughes received a $1,450 check from a public customer with instructions from the customer to apply the funds to his variable annuity account. Hughes cashed the check and used the proceeds for his own benefit. Hughes also failed to respond to NASD requests for information. **(NASD Case #C8A000041)**

Thomas Eugene Janowski (CRD #803681, Registered Representative, Chicago, Illinois) was barred from association with any NASD member in any capacity. The sanction was based on findings that Janowski failed to respond to NASD requests for information. **(NASD Case #C8A000047)**

Christy Porter Johnson (CRD #3157609, Registered Representative, Sacramento, California) was barred from association with any NASD member in any capacity. The sanction was based on findings that Johnson failed to respond to NASD requests for information. **(NASD Case #C01000016)**

Morris Malone Johnson, Jr. (CRD #2541001, Registered Representative, Huntsville, Alabama) was barred from association with any NASD member in any capacity. The sanction was based on findings that Johnson effected unauthorized transactions in the accounts of public customers and failed to respond to NASD requests for information. **(NASD Case #C05000026)**

Kenneth Ray Jones (CRD #1815672, Registered Representative, Cincinnati, Ohio) was barred from association with any NASD member in any capacity. The sanction was based on findings that Jones failed to respond to NASD requests for information. **(NASD Case #C8B000010)**

Percival Anthony Jones, Sr. (CRD #2506769, Registered Representative, Los Angeles, California) was barred from association with any NASD member in any capacity, and ordered to pay $3,000, plus interest, in restitution to a public customer. The sanctions were based on findings that Jones received $3,000 cash from a public customer for investment purposes, failed to follow the customer's instructions and, instead, converted the funds to his own use and benefit. Jones also failed to respond to NASD requests for information. **(NASD Case #C02000036)**

Carl Dan Killian, Jr. (CRD #1340080, Registered Representative, Hohokus, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $16,900, which includes $6,900 in disgorgement of commissions, and suspended from association with any NASD member in any capacity for 18 months. The fine and disgorgement must be paid before reassociating with a member firm or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Killian consented to the described sanctions and to the entry of findings that he exercised discretionary

authority in transactions in a public customer's account without prior written authorization and engaged in trading in the account that was excessive in view of the customer's objectives, financial situation, and nature of the account. The findings also stated that Killian, using his discretion, purchased and sold securities in the account of a public customer that were unsuitable in view of the size and frequency of the transactions and did not have reasonable grounds for believing that the recommended transactions were suitable for the customer based upon the customer's financial situation, investment objectives, and financial needs.

Killian's suspension began February 5, 2001, and will conclude on August 4, 2002. **(NASD Case #C10010003)**

Johnny Duane Kovalcik (CRD #858051, Registered Representative, Baton Rouge, Louisiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $5,000 and suspended from association with any NASD member in any capacity for six months. The fine must be paid before reassociating with a member firm or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Kovalcik consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing his firm with prior written notice describing the proposed transactions, his proposed role therein, and stating whether he had received, or would receive, selling compensation in connection with the transactions.

Kovalcik's suspension began January 16, 2001, and will conclude on July 15, 2001. **(NASD Case #C05000063)**

Robert Elliot Leder (CRD #2573928, Associated Person, Wantagh, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $5,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before reassociating with a member firm or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Leder consented to the described sanctions and to the entry of findings that he willfully failed to disclose a material fact on a Form U-4.

Leder's suspension began January 16, 2001, and will conclude at the close of business on January 15, 2002. **(NASD Case #C10000221)**

John Everett Lewis (CRD #1364973, Registered Representative, Tiffin, Ohio) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Lewis consented to the described sanction and to the entry of findings that he sold investment contracts totaling $2,458,804 and failed to provide his firm with any notice of the transactions, his role therein, or to receive written permission to engage in the transactions. **(NASD Case #C8B000022)**

Paul H. Lukert (CRD #1609795, Registered Representative, Wyckoff, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined $10,000 and suspended from association with any NASD member in any capacity for 30 days. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Lukert consented to the described sanctions and to the entry of findings that he exercised effective control over a public customer's account and recommended to the customer numerous purchase and sale transactions in various securities without having reasonable grounds for believing that such transactions were suitable for the customer in view of the size and frequency of the transactions and the nature of the accounts. The findings also stated that Lukert exercised discretion in the customer's account without having obtained prior written authorization from the customer and prior written acceptance of the account as discretionary by his firm.

Lukert's suspension began February 5, 2001, and will conclude at the close of business on March 6, 2001. **(NASD Case #C9B000041)**

Jeffrey McConnell (CRD #2545034, Registered Principal, West Palm Beach, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any principal capacity. In light of the financial status of McConnell, no monetary sanctions have been imposed. Without admitting or denying the allegations, McConnell consented to the described sanction and to the entry of findings that he failed to enforce and comply with his firm's written supervisory procedures relating to the supervision of registered representatives at a branch office. **(NASD Case #C07000098)**

Jon Robert McDowell (CRD #4069640, Registered Representative, Minneapolis, Minnesota) was barred from association with any NASD member in any capacity. The sanction was based on findings that McDowell willfully misrepresented and intentionally failed to disclose a material fact on

a Form U-4. The findings also stated that McDowell failed to respond to NASD requests for information. **(NASD Case #CAF000035)**

Sean Peter McManus (CRD #2169076, Registered Representative, Boynton Beach, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that McManus purchased shares of stock in the accounts of public customers without the customers' knowledge or consent. **(NASD Case #C02000025)**

Wayne Mills (CRD #1055303, Registered Representative, Edina, Minnesota) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Mills consented to the described sanction and to the entry of findings that he failed to respond to an NASD request to appear for an on-the-record interview. **(NASD Case #CMS000256)**

Robert Arnold Mosby (CRD #861055, Registered Principal, Richmond, Virginia) submitted an Offer of Settlement in which he was fined $10,000 and suspended from association with any NASD member in any capacity for 90 days. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Mosby consented to the described sanctions and to the entry of findings that he recommended to a public customer the purchase of securities that were unsuitable, given the customer's investment objectives and financial situation.

Mosby's suspension began February 5, 2001, and will conclude at the close of business on May 5, 2001. **(NASD Case #C07000050)**

Jim Newcomb (CRD #1376482, Registered Principal, Fort Collins, Colorado) was fined $32,000 and suspended from association with any NASD member in any capacity for two years. The NAC imposed the sanctions following appeal of an OHO decision. The sanctions were based on findings that Newcomb engaged in private securities transactions, for compensation, without providing prior written notice of his intention to participate in the transactions to, and receiving permission from, his firm.

Newcomb has appealed this action to the SEC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C3A990050)**

James Michael Nicholson (CRD #1876182, Registered Representative, Stony Point, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Nicholson consented to the described sanction and to the entry of findings that he furnished the NASD with a false and misleading response to a request for information and failed to respond to NASD requests for information. **(NASD Case #C9B000043)**

Claudia Jean Olson (CRD #3120767, Registered Representative, Dallas, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which she was fined $5,000 and suspended from association with any NASD member in any capacity for 60 days. The fine must be paid before reassociating with a member firm or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Olson consented to the described sanctions and to the entry of findings that she executed unauthorized stock transactions in the account of a public customer without the account trustee's knowledge or consent.

Olson's suspension began February 5, 2001, and will conclude at the close of business on April 5, 2001. **(NASD Case #C05000066)**

Sean Charles Paley (CRD #2801588, Registered Principal, Atlanta, Georgia) was barred from association with any NASD member in any capacity. The sanction was based on findings that Paley forged customer signatures on his firm's Rep/Dealer Change Authorization forms to designate himself as the representative of record for mutual fund accounts and variable life insurance policies that the customers had with the firm, and submitted the forms to his firm without the customers' knowledge or consent. The findings also stated that Paley created fictitious applications and agreements on behalf of non-existent individuals and submitted them to his firm to create the appearance of production and to generate commissions. The NASD also found that Paley failed to respond to NASD requests for information. **(NASD Case #C05000046)**

Thomas Harlan Peacock (CRD #358711, Registered Representative, Allentown, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Peacock consented to the described sanction and to the entry of findings that he exercised effective control over the account of a public customer and recommended, or implicitly

recommended, securities transactions to the customer without having reasonable grounds for believing that the transactions were suitable based upon the size and frequency of the transactions and the nature of the account.

Peacock's suspension began February 5, 2001, and will conclude at the close of business on March 6, 2001. **(NASD Case #C9A000043)**

Teo Van Pham (CRD #4008622, Registered Representative, Los Angeles, California) was barred from association with any NASD member in any capacity. The sanction was based on findings that Pham provided false responses on his Form U-4. **(NASD Case #C02000049)**

Michael Anthony Pipkins (CRD #1489038, Registered Principal, Murrietta, California) was barred from association with any NASD member in any capacity. The sanction was based on findings that Pipkins received a $10,000 cashier's check from a customer to invest on the customer's behalf. Pipkins cashed the check but never invested the funds on the customer's behalf or returned the funds to the customer. Pipkins also failed to respond to NASD requests for information. **(NASD Case #C02000051)**

Benjamin Ruiz (CRD #2634016, Registered Representative, Ft. Lauderdale, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that Ruiz failed to respond to NASD requests for information. **(NASD Case #C07000048)**

Rick Ray Ruppert (CRD #2122885, Registered Principal, Las Vegas, Nevada) submitted an Offer of Settlement in which he was fined $5,000 and suspended from association with any NASD member in any capacity for 15 months. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Ruppert consented to the described sanctions and to the entry of findings that he received $3,000 in cash from public customers for investment purposes, failed to apply the customer funds promptly to any investment, and instead, used the funds to purchase bank cashiers checks to fund Roth IRA accounts for the customers. Ruppert also failed to respond to NASD requests for information.

Ruppert's suspension began February 5, 2001, and will conclude at the close of business on May 4, 2002. **(NASD Case #C02000023)**

John David Schema (CRD #1478172, Registered Representative, Grass Valley, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for one year. In light of Schema's financial status, no monetary sanctions have been imposed. Without admitting or denying the allegations, Schema consented to the described sanctions and to the entry of findings that he participated in a private securities transaction without providing prior written notice to, or obtaining written approval from, his firm.

Schema's suspension began January 16, 2001, and will conclude at the close of business on January 15, 2002. **(NASD Case #C04000038)**

Joseph Paul Schmidt, Jr. (CRD #1059547, Registered Representative, Oregon City, Oregon) was barred from association with any NASD member in any capacity. The sanction was based on findings that Schmidt failed to respond to NASD requests for information. **(NASD Case #C3B000013)**

Ronald Silas (CRD #1047209, Registered Representative, San Bruno, California) was barred from association with any NASD member in any capacity. The sanction was based on findings that Silas received a $30,000 check from public customers for investment purposes and converted the funds to his own use and benefit. Silas also failed to respond to NASD requests for information. **(NASD Case #C02000041)**

Gordon Erik Sokich (CRD #2579331, Registered Representative, Dobbs Ferry, New York) was suspended from association with any NASD member in any capacity for six months. In light of Sokich's financial status, no monetary sanction has been imposed. The sanction was based on findings that Sokich failed to submit sufficient funds or securities to cover the cost of margin transactions effected by him in his personal account at a member firm.

Sokich's suspension began January 2, 2001, and will conclude at the close of business on July 2, 2001. **(NASD Case #C10000091)**

Edward Sereno Viola (CRD #2211525, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Viola consented to the described sanction and to the entry of findings that he effected transactions in the account of a public customer without the customer's prior knowledge, authorization, or consent. **(NASD Case #C10000222)**

Robert Jay Voges (CRD #2565539, Registered Representative, Ormond Beach, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that Voges received a $5,000 check from a public customer to pay her mortgage and $5,000 in cash from the customer to be deposited into the customer's checking account. Voges failed to deposit the cash into the customer's checking account and, in an attempt to conceal his misconduct, transferred $5,000 from the customer's brokerage account into her checking account, without her authorization. Voges also failed to respond to NASD requests for information. **(NASD Case #C07000053)**

Pamela Harlan Wilson (CRD #1337224, Registered Representative, Burbank, California) submitted a Letter of Acceptance, Waiver, and Consent in which she was fined $10,000 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Wilson consented to the described sanctions and to the entry of findings that she engaged in a private securities transaction without prior written notice to, and approval from, her firm.

Wilson's suspension began February 5, 2001, and will conclude at the close of business on February 16, 2001. **(NASD Case #C02000070)**

Andre Desean Woodley, Sr. (CRD #3108258, Registered Representative, Virginia Beach, Virginia) was barred from association with any NASD member in any capacity. The sanction was based on findings that Woodley provided false responses and willfully misrepresented and failed to disclose material facts on his Form U-4. The findings also stated that Woodley failed to respond to NASD requests for information. **(NASD Case #CAF000034)**

Howard Charles Zelin (CRD #1616516, Registered Principal, Boynton Beach, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that Zelin failed to respond to NASD requests to appear for on-the-record interviews and failed to respond truthfully to an NASD request for information. **(NASD Case #CAF000026)**

Individuals Fined

Charles Melville Blair (CRD #22803, Registered Representative, Toluca Lake, California) was censured and fined $10,000. The sanctions were based on findings that a member firm, acting under the direction and control of Blair, engaged in a securities business while failing to maintain its minimum net capital. **(NASD Case #C02000035)**

Mario Arthur Romano (CRD #1578054, Registered Representative, Colts Neck, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was censured and fined $17,008, which includes disgorgement of $7,008 in commissions earned. Without admitting or denying the allegations, Romano consented to the described sanctions and to the entry of findings that he exercised discretionary power in the account of a public customer without the customer's prior written authorization and the acceptance of the discretionary account by his firm. **(NASD Case #C10000216)**

Complaints Filed

The following complaints were issued by the NASD. Issuance of a disciplinary complaint represents the initiation of a formal proceeding by the NASD in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Paul Louis Anderson (CRD #2837647, Registered Representative, Rock Hill, South Carolina) was named as a respondent in an NASD complaint alleging that he credited his personal bank account $9,000 using his employment position at the bank and his work computer, and withdrew the $9,000 credited to his account through a series of withdrawals from automated teller machines. In addition, the complaint alleges that Anderson failed to respond to an NASD request for information. **(NASD Case #C07010002)**

Michael Paul Cilmi (CRD #1289290, Registered Principal, South Cairo, New York) was named as a respondent in an NASD complaint alleging that he effected unauthorized transactions in the accounts of public customers without their knowledge or consent and in the absence of written or oral authorization to exercise discretion in the accounts. (NASD Case #C10000220)

Christopher Ronald DiGregorio (CRD #2754779, Registered Representative, Staten Island, New York) was named as a respondent in an NASD complaint alleging that he executed unauthorized transactions in the accounts of a public customer. **(NASD Case #C9B000042)**

Jeffrey Booth Hodde (CRD #247308, Registered Principal, Summit, New Jersey) was named as a respondent in an NASD complaint alleging that he effected a transaction in the account of a public customer without the customer's prior knowledge, authorization, or consent. The complaint also alleges that Hodde failed to respond to NASD requests for information. **(NASD Case #C10010005)**

Terence Louis Killea (CRD #2310356, Registered Representative, Coventry, Rhode Island) was named as a respondent in an NASD complaint alleging that he received checks totaling at least $84,500 from public customers to invest in a high-yield investment or an initial public offering, and, instead, endorsed and cashed the checks, and used the funds for his own use and benefit. **(NASD Case #C11010001)**

Tam Thanh Le (CRD #3132393, Registered Representative, Balch Springs, Texas) was named as a respondent in an NASD complaint alleging that he received a $2,000 check from a public customer to purchase a variable annuity, failed to execute the purchase of the annuity, and, instead, without the customer's knowledge or consent, misused the funds by applying the proceeds to pay premiums on insurance policies belonging to other customers. The complaint also alleges that Le failed to respond to NASD requests for information. **(NASD Case #C05010002)**

Chung Suk Oh (CRD #2838370, Registered Representative, New York, New York) was named as a respondent in an NASD complaint alleging that he effected unauthorized transactions in the account of a public customer without the customer's prior knowledge, authorization, or consent. The complaint also alleges that Oh failed to respond to NASD requests for information. **(NASD Case #C10010009)**

Samuel Michael Rodio, II (CRD #2919945, Registered Representative, Katy, Texas) was named as a respondent in an NASD complaint alleging that he requested a check be drawn against the account of public customers and represented that he would mail the check to the customers. The complaint further alleges that $5,312.98 in funds were withdrawn from the account of the customers without their knowledge, authorization, or consent, and a check in the same amount and in the name of the customers was issued and received by Rodio who failed to deliver the check. The NASD alleges that Rodio endorsed the check and deposited the funds into his personal bank account without the customers' knowledge, authorization, or consent. In addition, the complaint alleges that Rodio failed to respond completely to NASD requests for information and documentation. **(NASD Case #C06000039)**

Greg Dennis Sanfilippo (CRD #2628773, Registered Representative, Staten Island, New York) was named as a respondent in an NASD complaint alleging that he effected transactions in the account of a public customer without the customer's prior knowledge or consent. **(NASD Case #C05000065)**

Firm Canceled

The following firm was canceled from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The action was based on the provisions of NASD Rule 8210 and Article VII, Section 2 of the NASD By-Laws. The date the cancellation commenced is listed after the entry.

James W. Twohig & Company, Princeton, West Virginia (January 16, 2001)

Firm Suspended

The following firm was suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The action was based on the provisions of NASD Rule 8210 and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after the entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

Rockcrest Securities, LLC, Duncanville, Texas (January 16, 2001)

Firms Expelled For Failure to Pay Fines/Costs And/Or Provide Proof Of Payment In Connection With Violations

First Associated Securities Group, Chico, California (December 22, 2000)

Sharpe Capital, Inc., New York, New York (December 22, 2000)

Suspension Lifted

The NASD has lifted the suspension from membership on the date shown for the following firm because it has complied with formal written requests to submit financial information.

First International Capital LTD, Hamilton, Bermuda (December 18, 2000)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs And/Or Provide Proof Of Payment In Connection With Violations

Crute, John M.W., Jr., Fort Stockton, Texas (December 22, 2000)

Dannenberg, Marc Jason, Thornwood, New York (December 22, 2000)

Liu, Husheng, Woodside, New York (December 22, 2000)

Martellaro, Carl, Chico, California (December 22, 2000)

Nemeth, Marc S., Brooklyn, New York (December 22, 2000)

Noland, Samuel T., Villa Rica, Georgia (December 22, 2000)

Onyejiaka, Nelson C., Southbound Brook, New Jersey (December 22, 2000)

Rogan, Steve J., Pagosa Spring, Colorado (December 22, 2000)

Individuals Suspended Pursuant To NASD Rule 9540 Series For Failure To Provide Information Requested Under NASD Rule 8210. (The date the suspension began is listed after the entry.)

Bailey, Richard Eugene, Cedar Rapids, Iowa (January 3, 2001)

Coleman, Monica L., Pasadena, Maryland (December 14, 2000)

Crookshank, Richard, Las Vegas, Nevada (December 14, 2000)

Cullen, Michael K., Fairview Heights, Illinois (January 3, 2001)

Fernandez, Roger Hannim, Vancouver, Washington (December 13, 2000)

Goodman, Barry, North Andover, Massachusetts (January 8, 2001)

Nonaka, Douglas Takeshi, Aiea, Hawaii (December 22, 2000)

St. Myer, Bradley David, Wexford, Pennsylvania (December 29, 2000)

Individual Suspended Pursuant To NASD Rule 9514(g) For Failure To Pay An Arbitration Award

(The date the suspension commenced is listed after the entry. If the individual has complied, the listing also includes the date the suspension concluded.)

Armijo, Anthony, San Mateo, California (December 12, 2000 - December 21, 2000)

NASD Regulation Bars John Fiero, Expels Fiero Brothers, Inc., and Imposes $1 Million Fine For Illegal Short Sales, Market Manipulation and Extortion

NASD Regulation announced that an NASD Regulation Hearing Panel barred John Fiero, expelled his firm, Fiero Brothers, Inc. and ordered a fine of $1 million for engaging in a fraudulent short selling, extortion and manipulation scheme.

On Feb. 6, 1998, NASD Regulation filed a complaint against Fiero and other co-conspirators alleging that they colluded to drive down the price of 10 Nasdaq securities underwritten by now-defunct Hanover Sterling & Co. during January 1995, and February 1995, through illegal short selling of those securities. This "bear raid" scheme involved Fiero and others obtaining nearly 1 million shares, units, and warrants from Hanover Sterling at below market prices through the use of threats and coercion to cover their illegally-created short positions. Ultimately, the short selling scheme led to the failure of Hanover Sterling on Feb. 24, 1995, which was quickly followed by the collapse of its clearing firm, Adler, Coleman Clearing Corp., and the appointment of a Security Investors Protection Corporation trustee for Adler Coleman.

In the decision, the Hearing Panel found that Fiero participated in an extortion scheme by purchasing $12.1 million of securities from Hanover, at prices $866,500 below the then-prevailing market price. Fiero used these securities to cover his firm's short positions, and resold the rest, primarily to other short sellers involved in the scheme. Hanover agreed to sell the discounted securities to Fiero in attempt to end the shorting of the stocks.

The Hearing Panel also found that Fiero violated short selling rules from Jan. 20 through Feb. 23, 1995 by failing to make the required affirmative determinations prior to engaging in short sales of the Hanover Sterling stocks. NASD rules restrict "naked" short sales, that is selling a stock short without ensuring that the stock can be borrowed or otherwise provided for by settlement date, also known as an affirmative determination. The Hearing Panel concluded that Fiero was not entitled to the market maker exemption from the affirmative determination rule during the time his firm was registered as a market maker because it was not engaged in bona fide market-making transactions. Fiero manipulated the market for the Hanover securities through his purchases and resale of the extorted stock and his illegal, naked short selling.

The respondents have appealed this matter to NASD Regulation's National Adjudicatory Council (NAC) as of January 3, 2001.

For Your Information

Final Renewal Statements

Member firms' Final Renewal Statements became available in Web CRD on January 2, 2001. All payments or requests for refunds must be received by March 16, 2001. Final Renewal Statements can be retrieved under the "Renewals" menu item in Accounting. Also, all Final Renewal Rosters are available in Web CRD for viewing and printing in the firm's ReportMart.

Additional information regarding the 2001 Renewals Program is in the November 2000 and January 2001 *Notices to Members* and on the CRD Page of the NASD Regulation Web Site, *www.nasdr.com*.

INFORMATIONAL

Exchange Act Rule 11Ac1-5

Member Obligations To Provide Statistical Information About Order Executions Under Rule 11Ac1-5 of the Securities Exchange Act of 1934

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.

- Executive Representatives
- Legal & Compliance
- Operations
- Senior Management

KEY TOPICS

- Exchange Act Rule 11Ac1-5
- Disclosure of Order Execution

Executive Summary

On November 17, 2000, the Securities and Exchange Commission (SEC) adopted Exchange Act Rule 11Ac1-5 ("Rule"), which requires "market centers" that trade national market system securities to make available standardized, monthly reports containing statistical information about "covered order" executions. The Rule is intended to promote visibility and competition in order execution quality, particularly with respect to execution price and speed.

The Rule defines a market center as "any exchange market maker, OTC market maker, alternative trading system, national securities exchange, or national securities association." In order to establish uniform reporting procedures between market centers, the Rule directs national securities exchanges and the National Association of Securities Dealers, Inc. (NASD®) to submit for approval by the SEC a joint national market system plan. The plan must be submitted no later than February 15, 2001. A proposed plan (Attachment A) has been drafted, but has not yet been submitted to the SEC for approval. As further detailed in this *Notice*, the first phase-in of securities subject to the Rule will begin on April 2, 2001.

Questions/Further Information

Questions concerning this *Notice* may be directed to Kathleen O'Mara, Assistant General Counsel, or Philip Shaikun, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8071.

Background and Information

In an effort to increase visibility of execution quality and promote competition in the securities markets, the SEC on November 17, 2000 adopted Exchange Act Rules 11Ac1-5 (Attachment B) and 11Ac1-6.[1] Generally, the rules seek to improve the ability of public investors to monitor orders after they are submitted to a broker/dealer for execution. Rule 11Ac1-5 requires "market centers" to prepare and make publicly available monthly reports in electronic form that categorize order executions and include statistical data about execution quality. The Rule defines a market center as "any exchange market maker, OTC market maker, alternative trading system, national securities exchange, or national securities association." The Rule requires market centers to prepare reports on "covered orders" in national market system securities that it receives from any person.[2] A covered order is defined in the Rule as

> any market order or any limit order (including immediate-or-cancel orders) received by a market center during regular trading hours at a time when a consolidated best bid and offer is being disseminated, and, if executed, is executed during regular trading hours, but shall exclude any order for which the customer requests special handling for execution, including, but not limited to, orders to be executed at a market opening or closing price, orders submitted with stop prices, orders to be executed only at their full size, orders to be executed on a particular type of tick or bid, orders submitted on a "not held" basis, orders for other than regular settlement, and orders to be executed at prices unrelated to the market price at the time of execution.

To facilitate cross-market comparisons, the Rule establishes and defines uniform measures of execution quality, among them effective spread, rate of price improvement and disimprovement, fill rate, and execution speed.[3] The Rule requires the market center reports to be categorized by individual security, order type, and order size. The Rule sets forth five order types (market, marketable limit, inside-the-quote limit, at-the-quote limit, and near-the-quote limit) and four order sizes (100-499 shares, 500-1999, 2000-4999, and 5000 or more). For each of the categories, the Rule further requires specific columns of statistical information related to execution quality. Members should refer directly to the Rule for the specific information required. The text of the Rule can be found in Attachment B of this *Notice*.

The Rule also directs the self-regulatory organizations (SROs) to submit a joint plan to the SEC that sets forth procedures and standards for market centers to produce publicly available monthly reports in a readily accessible, uniform, and usable electronic format. The plan must be submitted to the SEC by February 15, 2001. View Attachment A to this Notice for the text of the currently proposed plan. However, members should be advised that the plan could change before it is submitted to the SEC. Moreover, the SEC has indicated that it will publish the plan for notice and comment before final approval. We anticipate that the plan will receive final SEC approval prior to the compliance date of April 2, 2001.[4]

The proposed plan obligates each market center to make its files available for downloading on an Internet site. Each market center must notify its "designated participant" – either a national securities exchange or the NASD – of a hyperlink to the Internet site where its files can be found and downloaded. Each designated participant is further required to maintain an Internet site where links to files for all of its responsible market centers can be accessed. An entity that acts as a market maker in different trading venues (*e.g.*, as a specialist on an exchange and as an over-the-counter (OTC) market maker) will be considered a separate market center for each of those trading venues. As such, the entity should arrange for a separate designated participant for each market center/ trading venue (*e.g.*, an exchange for its specialist trading and an association for its OTC trading).

Effective Dates

The first phase-in of securities subject to the Rule will begin on Monday, April 2, 2001. As of that date, the Rule will apply to the 1000 NYSE securities, 1000 Nasdaq securities, and 200 Amex securities with the highest average daily share volume for the quarter ended December 31, 2000. A list of the Nasdaq securities that will be subject to the Rule on April 2, 2001 can be found in Attachment C of this *Notice*. Members should consult with the NYSE and Amex to determine their securities that initially will be subject to the Rule. On the first phase-in date, market centers must begin collecting the necessary data to prepare their monthly reports. In addition, they must make their first report, for April 2001, available by the end of May 2001.

The second phase-in date will be July 2, 2001. From that date forward, the Rule will apply to the next 1000 NYSE securities, the next 1000 Nasdaq securities, and the next 200 Amex securities with the highest average daily share volume for the quarter ending March 31, 2001. The third and final phase-in of the Rule will begin on October 1, 2001. From that date forward, the Rule will apply to all national market system securities.

Endnotes

1 Generally, Rule 11Ac1-6 requires broker/dealers to disclose the identity of market centers to which they route orders on behalf of customers. The compliance date for Rule 11Ac1-6 is July 2, 2001. However, unlike Rule 11Ac1-5, it imposes obligations solely on members and does not involve any joint SRO plan that determines details of those obligations. Accordingly, this *Notice* only addresses Rule 11Ac1-5 and member obligations under the joint plan required by that rule.

2 National market system securities are designated under Exchange Act Rule 11Aa2-1, which incorporates the definition of reported security used in Exchange Act Rule 11Aa3-1. Currently, this designation applies to exchange-listed equities and equities included in the National Market tier of Nasdaq.

3 While the Rule emphasizes disclosure of execution price and speed, it does not purport to encompass all information relevant to order execution quality. The Rule specifically notes that the information required "does not create a reliable basis to address whether any particular broker/dealer failed to obtain the most favorable terms reasonably available under the circumstances for customer orders."

4 Members should be aware that their obligations under the Rule could commence prior to approval of the proposed joint plan. In the event that a plan has not been approved by the SEC prior to the compliance date of the Rule (April 2, 2001), the Rule requires each market center to prepare their reports in a "consistent, usable, and machine-readable electronic format, and make such reports available for downloading from an Internet web site that is free and readily accessible to the public."

ATTACHMENT A

DRAFT PLAN TO BE SUBMITTED TO
THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO RULE 11Ac1-5 UNDER THE
SECURITIES EXCHANGE ACT OF 1934

Table of Contents

Preamble

The Participants submit to the SEC this Plan establishing procedures for market centers to follow in making available to the public the monthly reports required by Rule 11Ac1-5 in a uniform, readily accessible, and usable electronic form. The Participants developed this Plan pursuant to paragraph (b)(2) of the Rule, which directs the Participants to act jointly in establishing such procedures.

I. Definitions

(a) "Designated Participant" means the Participant with which each market center has made the arrangements set forth in Section VIII of the Plan.

(b) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(c) "Participant" means a party to the Plan.

(d) "Plan" means the plan set forth in this instrument, as amended from time to time in accordance with its provisions.

(e) "Rule" means Rule 11Ac1-5 under the Exchange Act.

(f) "SEC" means the United States Securities and Exchange Commission.

(g) All terms defined in paragraph (a) of the Rule shall have the same meaning when used in the Plan, unless otherwise specified.

II. Parties

(a) List of Parties

The parties to the Plan are as follows:

American Stock Exchange LLC ("Amex"), registered as a national securities exchange under the Exchange Act and having its principal place of business at 86 Trinity Place, New York, New York 10006.

Boston Stock Exchange, Inc. ("BSE"), registered as a national securities exchange under the Exchange Act and having its principal place of business at 100 Franklin Street, Boston, Massachusetts 02110.

Chicago Stock Exchange, Inc. ("CHX"), registered as a national securities exchange under the Exchange Act and having its principal place of business at 440 South LaSalle Street, Chicago, Illinois 60605.

Cincinnati Stock Exchange, Inc. ("CSE"), registered as a national securities exchange under the Exchange Act and having its principal place of business at 440 South LaSalle Street, Suite 2600, Chicago, Illinois 60605.

National Association of Securities Dealers, Inc. ("NASD"), registered as a national securities association under the Exchange Act and having its principal place of business at 1735 K Street, N.W., Washington, D.C. 20006.

New York Stock Exchange, Inc. ("NYSE"), registered as a national securities exchange under the Exchange Act and having its principal place of business at 11 Wall Street, New York, New York 10005.

Pacific Exchange, Inc. ("PCX"), registered as a national securities exchange under the Exchange Act and having its principal place of business at 301 Pine Street, San Francisco, California 94104.

Philadelphia Stock Exchange, Inc. ("Phlx"), registered as a national securities exchange under the Exchange Act and having its principal place of business at 1900 Market Street, Philadelphia, Pennsylvania 19103.

(b) Compliance Undertaking

By subscribing to and submitting the Plan for approval by the SEC, each Participant agrees to comply with and to enforce compliance by its members with the provisions of the Plan.

(c) New Participants

The Participants agree that any entity registered as a national securities exchange or national securities association under the Exchange Act may become a Participant by: (i) executing a copy of the Plan, as then in effect; (ii) providing each then-current Participant with a copy of such executed Plan; and (iii) effecting an amendment to the Plan as specified in Section III(b) of the Plan.

III. Amendments to Plan

(a) General Amendments

Except with respect to the addition of new Participants to the Plan, any proposed change in, addition to, or deletion from the Plan shall be effected by means of a written amendment to the Plan that: (A) sets forth the change, addition, or deletion; (B) is executed on behalf of each Participant; and (C) is approved by the SEC or otherwise becomes effective pursuant to Section 11A of the Exchange Act and Rule 11Aa3-2 thereunder.

(b) New Participants

With respect to new Participants, an amendment to the Plan may be effected by the new national securities exchange or national securities association executing a copy of the Plan, as then in effect (with the only changes being the addition of the new Participant's name in Section II(a) of the Plan and the new Participant's single-digit code in Section VI(a)(1) of the Plan) and submitting such executed Plan to the SEC for approval. The amendment will be effective when it is approved by the SEC or otherwise becomes effective pursuant to Section 11A of the Exchange Act and Rule 11Aa3-2 thereunder.

(c) Advisory Committee on Plan Amendments

(1) Each Participant shall select from its staff one individual to represent such Participant as a member of an Advisory Committee on Plan Amendments ("Advisory Committee"), together with a substitute for such individual. Such substitute may participate in deliberations of the Advisory Committee and shall be considered a voting member thereof only in the absence of the primary representative. Each Participant shall have one vote on all matters considered by the Advisory Committee.

(2) The Advisory Committee shall monitor the procedures established pursuant to this Plan and advise the Participants with respect to any deficiencies, problems, or recommendations as the Advisory Committee may deem appropriate. Any recommendation for an amendment to the Plan from the Advisory Committee that receives an affirmative vote of at least two-thirds of the Participants, but is less than unanimous, shall be submitted to the SEC as a request for rulemaking under Exchange Act Rule 11Aa3-2.

IV. Overview of Plan Procedures

Any market center required by the Rule to make monthly reports available to the public shall prepare such reports in the form of electronic data files that meet the requirements set forth in Sections V and VI of the Plan. A market center shall make its files available for downloading on an Internet site in accordance with the provisions set forth in Section VII of the Plan. In accordance with Section VIII of the Plan, each market center[1] shall make arrangements with a single Participant to act as the market center's Designated Participant. A market center shall notify its Designated Participant of a hyperlink to the Internet site where its files can be downloaded. Each Participant will maintain an Internet site that includes a comprehensive list of links where the files can be obtained for all of the market centers for which the Participant functions as a Designated Participant.

V. File Type, Compression, and Naming

Files shall be prepared in standard, pipe-delimited ("|") ASCII format and compressed using standard Zip compression. Uncompressed files shall be named according to the following convention: "[file identification code][six-digit date code (yyyymm)].dat". A market center will use the file identification code assigned to it pursuant to Section VIII of the Plan. The date code shall refer to the calendar month of trading for the market center report contained in the file. Compressed files will be named according to the same convention, except that the extension will be ".zip".

VI. File Structure

(a) Order and Format of Fields

(1) The first field in a file shall be the code identifying the Participant that is acting as Designated Participant for the market center under Section VIII of the Plan. The Participant identification codes are as follows: Amex – "A"; BSE – "B"; CHX – "M"; CSE – "C"; NASD – "T"; NYSE – "N"; PCX – "P"; Phlx – "X".

(2) The next field in a file shall be the code identifying the market center, as assigned by a Designated Participant pursuant to Section VIII of the Plan.

(3) The next field in a file shall be the six-digit code identifying the date of the calendar month of trading for the market center report contained in the file ("yyyymm").

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1 An entity that acts as a market maker in different trading venues (e.g., as specialist on an exchange and as an OTC market maker) would be considered as a separate market center under the Rule for each of those trading venues. Consequently, the entity should arrange for a Designated Participant for each market center/trading venue (e.g., an exchange for its specialist trading and an association for its OTC trading).

(4) The next field in a file shall be the symbol assigned to an individual security under the national market system plan pursuant to which the consolidated best bid and offer for such security are disseminated on a current and continuous basis.

(5) The next field in a file shall be the code for the one of the five types of order by which the Rule requires a market center to categorize its report. The order type codes are as follows: market orders – "11"; marketable limit orders – "12"; inside-the-quote limit orders – "13"; at-the-quote limit orders – "14"; near-the-quote limit orders – "15".

(6) The next field in a file shall be the code for one of the four order size buckets by which the Rule requires a market center to categorize its report. The order size codes are as follows: 100-499 shares – "21"; 500-1999 shares – "22"; 2000-4999 shares – "23"; 5000 or more shares – "24".

(7) The next field in a file shall be the number of covered orders, as specified in paragraph (b)(1)(i)(A) of the Rule.

(8) The next field in a file shall be the cumulative number of shares of covered orders, as specified in paragraph (b)(1)(i)(B) of the Rule.

(9) The next field in a file shall be the cumulative number of shares of covered orders cancelled prior to execution, as specified in paragraph (b)(1)(i)(C) of the Rule.

(10) The next field in a file shall be the cumulative number of shares of covered orders executed at the receiving market center, as specified in paragraph (b)(1)(i)(D) of the Rule.

(11) The next field in a file shall be the cumulative number of shares of covered orders executed at any other venue, as specified in paragraph (b)(1)(i)(E) of the Rule.

(12) The next field in a file shall be the cumulative number of shares of covered orders executed from 0 to 9 seconds after the time of order receipt, as specified in paragraph (b)(1)(i)(F) of the Rule.

(13) The next field in a file shall be the cumulative number of shares of covered orders executed from 10 to 29 seconds after the time of order receipt, as specified in paragraph (b)(1)(i)(G) of the Rule.

(14) The next field in a file shall be the cumulative number of shares of covered orders executed from 30 to 59 seconds after the time of order receipt, as specified in paragraph (b)(1)(i)(H) of the Rule.

(15) The next field in a file shall be the cumulative number of shares of covered orders executed from 60 to 299 seconds after the time of order receipt, as specified in paragraph (b)(1)(i)(I) of the Rule.

(16) The next field in a file shall be the cumulative number of shares of covered orders executed from 5 minutes to 30 minutes after the time of order receipt, as specified in paragraph (b)(1)(i)(J) of the Rule.

(17) The next field in a file shall be the average realized spread for executions of covered orders, as specified in paragraph (b)(1)(i)(K) of the Rule. The amount shall be expressed in dollars and carried out to four decimal places.

(18) The next field in a file shall be the average effective spread for executions of covered orders, as specified in paragraph (b)(1)(ii)(A) of the Rule. The amount shall be expressed in dollars and carried out to four decimal places.

(19) The next field in a file shall be the cumulative number of shares of covered orders executed with price improvement, as specified in paragraph (b)(1)(ii)(B) of the Rule.

(20) The next field in a file shall be, for shares executed with price improvement, the share-weighted average amount per share that prices were improved, as specified in paragraph (b)(1)(ii)(C) of the Rule. The amount shall be expressed in dollars and carried out to four decimal places.

(21) The next field in a file shall be, for shares executed with price improvement, the share-weighted average period from the time of order receipt to the time of order execution, as specified in paragraph (b)(1)(ii)(D) of the Rule. The period shall be expressed in number of seconds and carried out to one decimal place.

(22) The next field in a file shall be the cumulative number of shares of covered orders executed at the quote, as specified in paragraph (b)(1)(ii)(E) of the Rule.

(23) The next field in a file shall be, for shares executed at the quote, the share-weighted average period of time from the time of order receipt to the time of order execution, as specified in paragraph (b)(1)(ii)(F) of the Rule. The period shall be expressed in number of seconds and carried out to one decimal place.

(24) The next field in a file shall be the cumulative number of shares of covered orders executed outside the quote, as specified in paragraph (b)(1)(ii)(G) of the Rule.

(25) The next field in a file shall be, for shares executed outside the quote, the share-weighted average amount per share that prices were outside the quote, as specified in paragraph (b)(1)(ii)(H) of the Rule. The amount shall be expressed in dollars and carried out to four decimal places.

(26) The next field in a file shall be, for shares executed outside the quote, the share-weighted average period of time from the time of order receipt to the time of order execution, as specified in paragraph (b)(1)(ii)(I) of the Rule. The period shall be expressed in number of seconds and carried out to one decimal place.

(b) Records

Files shall have separate records for each combination of security, order type, and order size by which a market center must categorize its report under the Rule (a maximum of 20 records for each individual security).[2] The end of each record shall be designated by a carriage return line feed. If there are no orders on which a market center must report during a month for a specific combination of security, order type, and order size, no record for such combination need be displayed. If there is no data for a particular field within a record (e.g., the Rule does not require such information for inside-the-quote limit orders, at-the-quote limit orders, and near-the-quote limit orders), the field shall be left empty.

VII. Internet Sites for Downloading Market Center Files

A market center shall make its compressed files available for downloading (via FTP) at a single page on an Internet site that is free of charge and readily accessible to the public.[3] A market center shall make available on such page the files containing at least the three most recent monthly reports of the market center.

VIII. Functions of Designated Participant

Each market center shall be responsible for arranging with a single Participant to act as the market center's Designated Participant.[4] The functions of a Designated Participant are as follows.

(a) Assignment of Market Center and File Identification Codes

A Designated Participant shall assign a unique market center identification code to each market center for which it acts as Designated Participant. If an individual market center's report will be included in a file that contains only that market center's report, the file identification code for the file shall be the same as the market center identification code. If an individual market center's report will be included in a file that contains any additional market center's report (e.g., if the reports for all of an exchange's specialists are included in a single file), the Designated Participant also shall assign a separate file identification code for such file. All Designated Participants will act jointly to assure that no market center or file is assigned a code that previously has been assigned (e.g., by circulating advance notice to all Participants of codes that have been assigned).

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2 For each individual security, there are five order types that could each be broken down into four size buckets.

3 A market center can maintain its own Internet site at which its files can be downloaded or arrange for another person to maintain the Internet site at which the market center's files can be downloaded (as well as potentially the files of other market centers).

4 See note 1 above for treatment of an entity that acts as a market maker in more than one trading venue and therefore would arrange for a Designated Participant for each market center/trading venue under the Rule.

(b) Maintenance of Market Center Identification Files

A Designated Participant shall create and maintain a market center identification file (in standard, pipe-delimited ("|") ASCII format) for each calendar month. Such file shall contain fields setting forth, in order, (A) the identification code for the Designated Participant (as set forth in Section VI(a)(1) of the Plan); (B) all market center identification codes that the Designated Participant has assigned for the month, (C) the full name of the market center (in upper case), and (D) the file identification code applicable to each market center (if different from the market center identification code). A Designated Participant shall make at least the three most recent market center identification files available for downloading (via FTP) on an Internet site that is free of charge and easily accessible to the public.

(c) Maintenance of Internet Site with Links to Download Sites

A market center shall notify its Designated Participant of the hyperlink to the location where the market center's files can be downloaded in accordance with Section VII of the Plan. A Designated Participant shall maintain a comprehensive list of the hyperlinks provided by its market centers at the same location at which market center identification files can be downloaded in accordance with Section VIII(b) of the Plan. As a result, anyone who wishes to download all files for a month can be assured that, if they visit the Internet sites of all Participants, they will find hyperlinks to all files for the month.

(d) Change of Designated Participant

A market center may change the identity of its Designated Participant only by arranging with another Participant to act as a replacement. The Participant that has agreed to act as a replacement Designated Participant shall provide written notice of the change to all other Participants, as well as make such notice available on the Internet site maintained by the replacement Designated Participant under Section VIII(b) of the Plan. The notice shall specify both the past and new market center identification code and file identification code for the market center, or state that the codes have not changed. The change shall not be effective until 30 days after the date of the written notice.

IX. Internet References to Information Required by Rule

When referring to information on Internet sites that the Rule requires to be made available to the public, market centers and Designated Participants shall use the phrase "Disclosure of SEC-Required Order Execution Information."

X. Specifying Regular Trading Hours Under the Rule

With respect to the meaning of the term "regular trading hours" under paragraph (a)(19) of the Rule, the Participant who maintains the primary listing for a national market system security shall specify the regular trading hours for such security if they are to be other than the time between 9:30 a.m. and 4:00 p.m. Eastern Time. To

effect a specification of regular trading hours under this Section X, a Participant shall submit a proposed rule change to the SEC under Section 19 of the Exchange Act. A Participant may specify as regular trading hours for a security only those times when the Participant itself is trading the security.

XI. Withdrawal from Plan

If a Participant ceases to be subject to the Rule or obtains SEC approval for another means of complying with the Rule, such Participant may withdraw from the Plan at any time on not less than 30 days' prior written notice to each of the other Participants. At such time, the withdrawing Participant shall have no further rights or obligations under the Plan.

XII. Counterparts and Signatures

The Plan may be executed in any number of counterparts, no one of which need contain all signatures of all Participants, and as many of such counterparts as shall together contain all such signatures shall constitute one and the same instrument.

IN WITNESS THEREOF, this Plan has been executed as of the __ day of ____ 2001 by each of the parties hereto.

American Stock Exchange LLC

By: _____

Date: _____

National Association Of Securities Dealers, Inc.

By: _____

Date: _____

Boston Stock Exchange, Inc.

By: _____

Date: _____

New York Stock Exchange, Inc.

By: _____

Date: _____

Chicago Stock Exchange, Inc.

By: _____

Date: _____

Pacific Exchange, Inc.

By: _____

Date: _____

Cincinnati Stock Exchange, Inc.

By: _____

Date: _____

Philadelphia Stock Exchange, Inc.

By: _____

Date: _____

ATTACHMENT B

§ 240.11Ac1-5 Disclosure of order execution information.

Preliminary Note

§240.11Ac1-5 requires market centers to make available standardized, monthly reports of statistical information concerning their order executions. This information is presented in accordance with uniform standards that are based on broad assumptions about order execution and routing practices. The information will provide a starting point to promote visibility and competition on the part of market centers and broker-dealers, particularly on the factors of execution price and speed. The disclosures required by this Section do not encompass all of the factors that may be important to investors in evaluating the order routing services of a broker-dealer. In addition, any particular market center's statistics will encompass varying types of orders routed by different broker-dealers on behalf of customers with a wide range of objectives. Accordingly, the statistical information required by this Section alone does not create a reliable basis to address whether any particular broker-dealer failed to obtain the most favorable terms reasonably available under the circumstances for customer orders.

(a) Definitions. For the purposes of this section:

(1) The term alternative trading system shall have the meaning provided in §242.300(c) of this chapter.

(2) The term average effective spread shall mean the share-weighted average of effective spreads for order executions calculated, for buy orders, as double the amount of difference between the execution price and the midpoint of the consolidated best bid and offer at the time of order receipt and, for sell orders, as double the amount of difference between the midpoint of the consolidated best bid and offer at the time of order receipt and the execution price.

(3) The term average realized spread shall mean the share-weighted average of realized spreads for order executions calculated, for buy orders, as double the amount of difference between the execution price and the midpoint of the consolidated best bid and offer five minutes after the time of order execution and, for sell orders, as double the amount of difference between the midpoint of the consolidated best bid and offer five minutes after the time of order execution and the execution price; provided, however, that the midpoint of the final consolidated best bid and offer disseminated for regular trading hours shall be used to calculate a realized spread if it is disseminated less than five minutes after the time of order execution.

(4) The term categorized by order size shall mean dividing orders into separate categories for sizes from 100 to 499 shares, from 500 to 1999 shares, from 2000 to 4999 shares, and 5000 or greater shares.

(5) The term categorized by order type shall mean dividing orders into separate categories for market orders, marketable limit orders, inside-the-quote limit orders, at-the-quote limit orders, and near-the-quote limit orders.

(6) The term categorized by security shall mean dividing orders into separate categories for each national market system security that is included in a report.

(7) The term consolidated best bid and offer shall mean the highest firm bid and the lowest firm offer for a security that is calculated and disseminated on a current and continuous basis pursuant to an effective national market system plan.

(8) The term covered order shall mean any market order or any limit order (including immediate-or-cancel orders) received by a market center during regular trading hours at a time when a consolidated best bid and offer is being disseminated, and, if executed, is executed during regular trading hours, but shall exclude any order for which the customer requests special handling for execution, including, but not limited to, orders to be executed at a market opening price or a market closing price, orders submitted with stop prices, orders to be executed only at their full size, orders to be executed on a particular type of tick or bid, orders submitted on a "not held" basis, orders for other than regular settlement, and orders to be executed at prices unrelated to the market price of the security at the time of execution.

(9) The term exchange market maker shall mean any member of a national securities exchange that is registered as a specialist or market maker pursuant to the rules of such exchange.

(10) The term executed at the quote shall mean, for buy orders, execution at a price equal to the consolidated best offer at the time of order receipt and, for sell orders, execution at a price equal to the consolidated best bid at the time of order receipt.

(11) The term executed outside the quote shall mean, for buy orders, execution at a price higher than the consolidated best offer at the time of order receipt and, for sell orders, execution at a price lower than the consolidated best bid at the time of order receipt.

(12) The term executed with price improvement shall mean, for buy orders, execution at a price lower than the consolidated best offer at the time of order receipt and, for sell orders, execution at a price higher than the consolidated best bid at the time of order receipt.

(13) The terms inside-the-quote limit order, at-the-quote limit order, and near-the-quote limit order shall mean non-marketable buy orders with limit prices that are, respectively, higher than, equal to, and lower by $0.10 or less than the consolidated best bid at the time of order receipt, and non-marketable sell orders with limit prices that are, respectively, lower than, equal to, and higher by $0.10 or less than the consolidated best offer at the time of order receipt.

(14) The term market center shall mean any exchange market maker, OTC market maker, alternative trading system, national securities exchange, or national securities association.

(15) The term marketable limit order shall mean any buy order with a limit price equal to or greater than the consolidated best offer at the time of order receipt, and any sell order with a limit price equal to or less than the consolidated best bid at the time of order receipt.

(16) The term effective national market system plan shall have the meaning provided in §240.11Aa3-2(a)(2).

(17) The term national market system security shall have the meaning provided in §240.11Aa2-1.

(18) The term OTC market maker shall mean any dealer that holds itself out as being willing to buy from and sell to its customers, or others, in the United States, a national market system security for its own account on a regular or continuous basis otherwise than on a national securities exchange in amounts of less than block size.

(19) The term regular trading hours shall mean the time between 9:30 a.m. and 4:00 p.m. Eastern Time, or such other time as is set forth in the procedures established pursuant to paragraph (c)(2) of this section.

(20) The term time of order execution shall mean the time (to the second) that an order was executed at any venue.

(21) The term time of order receipt shall mean the time (to the second) that an order was received by a market center for execution.

(b) Monthly electronic reports by market centers.

(1) Every market center shall make available for each calendar month, in accordance with the procedures established pursuant to paragraph (b)(2) of this section, a report on the covered orders in national market system securities that it received for execution from any person. Such report shall be in electronic form; shall be categorized by security, order type, and order size; and shall include the following columns of information:

(i) For market orders, marketable limit orders, inside-the-quote limit orders, at-the-quote limit orders, and near-the-quote limit orders:

(A) The number of covered orders;

(B) The cumulative number of shares of covered orders;

(C) The cumulative number of shares of covered orders cancelled prior to execution;

(D) The cumulative number of shares of covered orders executed at the receiving market center;

(E) The cumulative number of shares of covered orders executed at any other venue;

(F) The cumulative number of shares of covered orders executed from 0 to 9 seconds after the time of order receipt;

(G) The cumulative number of shares of covered orders executed from 10 to 29 seconds after the time of order receipt;

(H) The cumulative number of shares of covered orders executed from 30 seconds to 59 seconds after the time of order receipt;

(I) The cumulative number of shares of covered orders executed from 60 seconds to 299 seconds after the time of order receipt;

(J) The cumulative number of shares of covered orders executed from 5 minutes to 30 minutes after the time of order receipt; and

(K) The average realized spread for executions of covered orders; and

(ii) For market orders and marketable limit orders:

(A) The average effective spread for executions of covered orders;

(B) The cumulative number of shares of covered orders executed with price improvement;

(C) For shares executed with price improvement, the share-weighted average amount per share that prices were improved;

(D) For shares executed with price improvement, the share-weighted average period from the time of order receipt to the time of order execution;

(E) The cumulative number of shares of covered orders executed at the quote;

(F) For shares executed at the quote, the share-weighted average period from the time of order receipt to the time of order execution;

(G) The cumulative number of shares of covered orders executed outside the quote;

(H) For shares executed outside the quote, the share-weighted average amount per share that prices were outside the quote; and

(I) For shares executed outside the quote, the share-weighted average period from the time of order receipt to the time of order execution.

(2) Every national securities exchange on which national market system securities are traded and national securities association shall act jointly in establishing procedures for market centers to follow in making available to the public the reports required by paragraph (b)(1) of this section in a uniform, readily accessible, and usable electronic form. In the event there is no effective national market system plan establishing such procedures, market centers shall prepare their reports in a consistent, usable, and machine-readable electronic format, and make such reports available for downloading from an Internet web site that is free and readily accessible to the public.

(3) A market center shall make available the report required by paragraph (b)(1) of this section within one month after the end of the month addressed in the report.

(c) Exemptions. The Commission may, by order upon application, conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this section, if the Commission determines that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.

Attachment C

The First 1000 Nasdaq Stocks for Phase 1 of Exchange Act Rule 11Ac1-5 Implementation

1	CSCO	Cisco Systems, Inc.
2	INTC	Intel Corporation
3	MSFT	Microsoft Corporation
4	WCOM	WorldCom, Inc.
5	ORCL	Oracle Corporation
6	SUNW	Sun Microsystems, Inc.
7	DELL	Dell Computer Corporation
8	JDSU	JDS Uniphase Corporation
9	AMAT	Applied Materials, Inc.
10	ERICY	LM Ericsson Telephone Company
11	QCOM	QUALCOMM Incorporated
12	CIEN	CIENA Corporation
13	YHOO	Yahoo! Inc.
14	AMCC	Applied Micro Circuits Corporation
15	JNPR	Juniper Networks, Inc.
16	PALM	Palm, Inc.
17	BVSN	BroadVision, Inc.
18	ADCT	ADC Telecommunications, Inc.
19	ARBA	Ariba, Inc.
20	ALTR	Altera Corporation
21	AAPL	Apple Computer, Inc.
22	EXDS	Exodus Communications, Inc.
23	XLNX	Xilinx, Inc.
24	COVD	Covad Communications Group, Inc.
25	SEBL	Siebel Systems, Inc.
26	NXTL	Nextel Communications, Inc.
27	NTAP	Network Appliance, Inc.
28	BRCM	Broadcom Corporation
29	BEAS	BEA Systems, Inc.
30	CMGI	CMGI, Inc.
31	CMRC	Commerce One, Inc.
32	PMCS	PMC - Sierra, Inc.
33	VRTS	VERITAS Software Corporation
34	AMZN	Amazon.com, Inc.
35	ATML	Atmel Corporation
36	SCMR	Sycamore Networks, Inc.
37	PSIX	PSINet Inc.
38	CMCSK	Comcast Corporation
39	INSP	InfoSpace, Inc.
40	SPLS	Staples, Inc.
41	FLEX	Flextronics International Ltd.
42	AMGN	Amgen Inc.
43	COMS	3Com Corporation
44	ITWO	i2 Technologies, Inc.
45	RFMD	RF Micro Devices, Inc.
46	VTSS	Vitesse Semiconductor Corporation
47	INKT	Inktomi Corporation
48	EXTR	Extreme Networks, Inc.

49	SDLI	SDL, Inc.
50	MFNX	Metromedia Fiber Network, Inc.
51	VRSN	VeriSign, Inc.
52	IMNX	Immunex Corporation
53	COST	Costco Wholesale Corporation
54	KLAC	KLA-Tencor Corporation
55	TRLY	Terra Networks, S.A.
56	MRCH	marchFIRST
57	PSFT	PeopleSoft, Inc.
58	CNXT	Conexant Systems, Inc.
59	DCLK	DoubleClick Inc.
60	RBAK	Redback Networks Inc.
61	ICGE	Internet Capital Group, Inc.
62	BRCD	Brocade Communications Systems, Inc.
63	NVLS	Novellus Systems, Inc.
64	ETYS	eToys Inc.
65	IDTI	Integrated Device Technology, Inc.
66	ATHM	At Home Corporation
67	XOXO	XO Communications, Inc.
68	TLAB	Tellabs, Inc.
69	MCLD	McLeodUSA Incorporated
70	SSTI	Silicon Storage Technology, Inc.
71	VIGN	Vignette Corporation
72	EBAY	eBay Inc.
73	LVLT	Level 3 Communications, Inc.
74	FDRY	Foundry Networks, Inc.
75	CTXS	Citrix Systems, Inc.
76	SANM	Sanmina Corporation
77	HLTH	WebMD Corporation
78	RNWK	RealNetworks, Inc.
79	GMST	Gemstar-TV Guide International Inc
80	QLGC	QLogic Corporation
81	LLTC	Linear Technology Corporation
82	EGRP	E*TRADE Group, Inc.
83	PCLN	priceline.com Incorporated
84	LRCX	Lam Research Corporation
85	PPRO	PurchasePro.com, Inc.
86	CHTR	Charter Communications, Inc.
87	OPWV	Openwave Systems Inc
88	NETA	Network Associates, Inc.
89	MXIM	Maxim Integrated Products, Inc.
90	RATL	Rational Software Corporation
91	PRSF	Portal Software, Inc.
92	PMTC	Parametric Technology Corporation
93	NOVL	Novell, Inc.
94	CHKP	Check Point Software Technologies Ltd.
95	MLNM	Millennium Pharmaceuticals, Inc.
96	RDRT	Read-Rite Corporation
97	RMBS	Rambus, Inc.
98	EMLX	Emulex Corporation
99	INTU	Intuit Inc.
100	MEDI	MedImmune, Inc.
101	VERT	VerticalNet, Inc.

102	ADBE	Adobe Systems Incorporated
103	WBVN	Webvan Group, Inc.
104	GSPN	GlobeSpan, Inc.
105	BBBY	Bed Bath & Beyond Inc.
106	TQNT	TriQuint Semiconductor, Inc.
107	DISH	EchoStar Communications Corporation
108	MRVC	MRV Communications, Inc.
109	BMCS	BMC Software, Inc.
110	CPWR	Compuware Corporation
111	RIMM	Research in Motion Limited
112	AKAM	Akamai Technologies, Inc.
113	CORV	Corvis Corporation
114	GSTRF	Globalstar Telecommunications, Limited
115	TXCC	TranSwitch Corporation
116	CMTN	Copper Mountain Networks, Inc.
117	CMVT	Comverse Technology, Inc.
118	HGSI	Human Genome Sciences, Inc.
119	APCC	American Power Conversion Corporation
120	ICIX	Intermedia Communications Inc.
121	PAYX	Paychex, Inc.
122	TERN	Terayon Communication Systems, Inc.
123	RHAT	Red Hat, Inc.
124	IFMX	Informix Corporation
125	PWER	Power-One, Inc.
126	AFCI	Advanced Fibre Communications
127	SONS	Sonus Networks, Inc.
128	ISLD	Digital Island, Inc.
129	NITE	Knight Trading Group, Inc.
130	CNET	CNET Networks, Inc.
131	FNSR	Finisar Corporation
132	USAI	USA Networks, Inc.
133	SNDK	SanDisk Corporation
134	NEWP	Newport Corporation
135	KANA	Kana Communications, Inc.
136	HLIT	Harmonic Inc.
137	MERQ	Mercury Interactive Corporation
138	ARTG	Art Technology Group, Inc.
139	EFNT	Efficient Networks, Inc.
140	WCII	WinStar Communications, Inc.
141	PRGN	Peregrine Systems, Inc.
142	BGEN	Biogen, Inc.
143	CHIR	Chiron Corporation
144	SCNT	Scient Corporation
145	GENU	Genuity Inc.
146	CEFT	Concord EFS, Inc.
147	RAZF	Razorfish, Inc.
148	SAPE	Sapient Corporation
149	VRTA	Virata Corporation
150	SBUX	Starbucks Corporation
151	TMTA	Transmeta Corporation
152	ONIS	ONI Systems Corp.
153	MXTR	Maxtor Corporation
154	ASML	ASM Lithography Holding N.V.

155	CRUS	Cirrus Logic, Inc.
156	VITR	Vitria Technology, Inc.
157	VSTR	VoiceStream Wireless Corporation
158	AVNX	Avanex Corporation
159	RTHM	Rhythms NetConnections, Inc.
160	ADPT	Adaptec, Inc.
161	CMOS	Credence Systems Corporation
162	AETH	Aether Systems, Inc.
163	USIX	USinternetworking, Inc.
164	MCHP	Microchip Technology Incorporated
165	NVDA	NVIDIA Corporation
166	KOPN	Kopin Corporation
167	VYTL	Viatel, Inc.
168	CREE	Cree, Inc.
169	DLTR	Dollar Tree Stores, Inc.
170	NUFO	New Focus, Inc.
171	NEON	New Era Networks, Inc.
172	FITB	Fifth Third Bancorp
173	GENZ	Genzyme General
174	HAND	Handspring, Inc.
175	LSCC	Lattice Semiconductor Corporation
176	ERTS	Electronic Arts Inc.
177	TIBX	TIBCO Software, Inc.
178	SSCC	Smurfit-Stone Container Corporation
179	CFLO	CacheFlow Inc.
180	ELNK	EarthLink, Inc.
181	ALGX	Allegiance Telecom, Inc.
182	INAP	InterNAP Network Services Corporation
183	PWAV	Powerwave Technologies, Inc.
184	LBRT	Liberate Technologies
185	NTRO	Netro Corporation
186	BIGT	Pinnacle Holdings, Inc.
187	LGTO	Legato Systems, Inc.
188	IDPH	IDEC Pharmaceuticals Corporation
189	IWOV	Interwoven, Inc.
190	AFFX	Affymetrix, Inc.
191	SAWS	Sawtek Inc.
192	MUSE	Micromuse, Inc.
193	JNIC	JNI Corporation
194	MCOM	Metricom, Inc.
195	SVRN	Sovereign Bancorp, Inc.
196	OPLK	Oplink Communications, Inc.
197	AVCI	Avici Systems Inc.
198	OXHP	Oxford Health Plans, Inc.
199	NMSS	Natural MicroSystems Corporation
200	LNUX	VA Linux Systems, Inc.
201	QLTI	QLT Inc.
202	BMET	Biomet, Inc.
203	PDLI	Protein Design Labs, Inc.
204	ARCH	Arch Wireless, Inc.
205	CPTH	Critical Path, Inc.
206	OCPI	Optical Communication Products, Inc.
207	SYMC	Symantec Corporation

208	FMKT	FreeMarkets, Inc.
209	CELG	Celgene Corporation
210	TSTN	Turnstone Systems
211	SEPR	Sepracor Inc.
212	CORR	COR Therapeutics, Inc.
213	EPNY	E.piphany, Inc.
214	ELNT	Elantec Semiconductor, Inc.
215	ISIL	Intersil Holding Corporation
216	ANTC	ANTEC Corporation
217	STOR	StorageNetworks, Inc.
218	XCED	Worldwide Xceed Group Inc
219	CHINA	chinadotcom corporation
220	UCOMA	UnitedGlobalCom, Inc.
221	MPPP	MP3.com, Inc.
222	SMTC	Semtech Corporation
223	KLIC	Kulicke and Soffa Industries, Inc.
224	WSTL	Westell Technologies, Inc.
225	NUAN	Nuance Communications, Inc.
226	MCDT	McDATA Corporation
227	MANU	Manugistics Group, Inc.
228	OAKT	Oak Technology, Inc.
229	VRTX	Vertex Pharmaceuticals Incorporated
230	KMAG	Komag, Incorporated
231	QTRN	Quintiles Transnational Corp.
232	AGCX	Asia Global Crossing Ltd.
233	AHAA	Alpha Industries, Inc.
234	EFII	Electronics for Imaging, Inc.
235	LMNE	Luminent, Inc.
236	AMTD	AmeriTrade Holding Corporation
237	ABGX	Abgenix, Inc.
238	FISV	Fiserv, Inc.
239	CTAS	Cintas Corporation
240	TEVA	Teva Pharmaceutical Industries Limited
241	ACXM	Acxiom Corporation
242	PHSY	PacifiCare Health Systems, Inc.
243	MCRL	Micrel, Incorporated
244	TSIX	360networks inc.
245	IVGN	Invitrogen Corporation
246	ADLAC	Adelphia Communications Corporation
247	MEDX	Medarex, Inc.
248	MCLL	Metrocall, Inc.
249	TUTS	Tut Systems, Inc.
250	VSEA	Varian Semiconductor Equipment Associates, Inc.
251	RRRR	Rare Medium Group Inc.
252	ISSI	Integrated Silicon Solution, Inc.
253	ADSX	Applied Digital Solutions, Inc.
254	STLW	Stratos Lightwave, Inc.
255	FFIV	F5 Networks, Inc.
256	AUDC	AudioCodes Ltd.
257	CCUR	Concurrent Computer Corporation
258	BCHE	Biochem Pharma Inc.
259	TGNT	Teligent, Inc.
260	CORL	Corel Corporation

261	MCTR	Mercator Software Inc
262	CDWC	CDW Computer Centers, Inc.
263	AEOS	American Eagle Outfitters, Inc.
264	LTXX	LTX Corporation
265	ENTU	Entrust Technologies, Inc.
266	VIAN	Viant Corporation
267	STXN	DMC Stratex Networks Inc
268	INCY	Incyte Genomics Inc.
269	APOL	Apollo Group, Inc.
270	NIKU	Niku Corporation
271	IMGN	ImmunoGen, Inc.
272	EXAP	Exchange Applications, Inc.
273	PLCM	Polycom, Inc.
274	PUMA	Puma Technology, Inc.
275	IPIX	Internet Pictures Corporation
276	VNTR	Ventro Corporation
277	REMC	REMEC, Inc.
278	TWRS	Crown Castle International Corp.
279	TMPW	TMP Worldwide Inc.
280	MENT	Mentor Graphics Corporation
281	NXTV	Next Level Communications, Inc.
282	PLXS	Plexus Corp.
283	DIGL	Digital Lightwave, Inc.
284	SIVB	Silicon Valley Bancshares
285	CLRN	Clarent Corporation
286	COSN	CoSine Communications, Inc.
287	GBIX	Globix Corporation
288	XIRC	Xircom, Inc.
289	CATP	Cambridge Technology Partners, Inc.
290	AGIL	Agile Software Corporation
291	MPWR	Mpower Communications Corporation
292	SNPS	Synopsys, Inc.
293	ADAP	Adaptive Broadband Corporation
294	GRMN	Garmin Ltd.
295	SITE	SpectraSite Holdings, Inc.
296	GMGC	General Magic, Inc.
297	GILD	Gilead Sciences, Inc.
298	ENGA	Engage, Inc.
299	AVCT	Avocent Corporation
300	IFCI	International FiberCom, Inc.
301	INFS	InFocus Corporation
302	ITRU	Intertrust Technologies Corporation
303	NTRS	Northern Trust Corporation
304	HLYW	Hollywood Entertainment Corporation
305	FLSH	M-Systems Flash Disk Pioneers Ltd.
306	NTIQ	NetIQ Corporation
307	ATSN	Artesyn Technologies, Inc.
308	ASYT	Asyst Technologies, Inc.
309	ADIC	Advanced Digital Information Corporation
310	WEBM	webMethods, Inc.
311	ACTM	ACT Manufacturing, Inc.
312	BBSW	Broadbase Software, Inc.
313	ADRX	Andrx Group

314	BKNG	Banknorth Group, Inc.
315	SIMG	Silicon Image, Inc.
316	VECO	Veeco Instruments Inc.
317	MSTR	MicroStrategy Incorporated
318	XOMA	XOMA Ltd.
319	NAVI	NaviSite, Inc.
320	TECD	Tech Data Corporation
321	RCNC	RCN Corporation
322	MACR	Macromedia, Inc.
323	SOTR	SouthTrust Corporation
324	ALKS	Alkermes, Inc.
325	PRTL	Primus Telecommunications Group, Inc.
326	SVGI	Silicon Valley Group, Inc.
327	MAXM	Maxim Pharmaceuticals, Inc.
328	DITC	Ditech Communications Corporation
329	AMKR	Amkor Technology, Inc.
330	TFSM	24/7 Media, Inc.
331	BFRE	Be Free, Inc.
332	ANSR	answerthink inc.
333	PCOM	P-COM, Inc.
334	NEOF	Neoforma.com, Inc.
335	WAXS	World Access, Inc.
336	ANAD	ANADIGICS, Inc.
337	NBCI	NBC Internet, Inc.
338	CRGN	CuraGen Corporation
339	ROST	Ross Stores, Inc.
340	JDEC	J.D. Edwards & Company
341	TALK	Talk.com, Inc.
342	HOMS	HomeStore.com, Inc.
343	CYMI	Cymer, Inc.
344	PSSI	PSS World Medical Inc.
345	CPST	Capstone Turbine Corporation
346	SCRI	SICOR, Inc.
347	GLBL	Global Industries, Ltd.
348	ASKJ	Ask Jeeves, Inc.
349	AEIS	Advanced Energy Industries, Inc.
350	CEPH	Cephalon, Inc.
351	BLUE	Blue Martini Software, Inc.
352	GEMS	Glenayre Technologies, Inc.
353	PSUN	Pacific Sunwear of California, Inc.
354	BKHM	Bookham Technology plc
355	CNCT	Connetics Corporation
356	SAFC	SAFECO Corporation
357	GNTX	Gentex Corporation
358	MIKE	Michaels Stores, Inc.
359	MNMD	MiniMed Inc.
360	TMWD	Tumbleweed Communications Corp.
361	CUBE	C-Cube Microsystems Inc.
362	IMCL	ImClone Systems Incorporated
363	CBRL	CBRL Group Inc.
364	SBLU	SONICblue Incorporated
365	CKFR	CheckFree Corporation
366	LNCR	Lincare Holdings Inc.

367	SNRS	Sunrise Technologies International Inc.
368	ARXX	Aeroflex Incorporated
369	DTPI	DiamondCluster International Inc CL A
370	ACRU	Accrue Software, Inc.
371	MOLX	Molex Incorporated
372	ACTU	Actuate Corporation
373	ESPI	e.spire Communications, Inc.
374	NZRO	NetZero, Inc.
375	WIND	Wind River Systems, Inc.
376	PXCM	Proxicom, Inc.
377	SIAL	Sigma-Aldrich Corporation
378	CLRS	Clarus Corporation
379	SONE	S1 Corporation
380	ENZN	Enzon, Inc.
381	CHRT	Chartered Semiconductor Manufacturing Ltd.
382	NCBC	National Commerce Bancorporation
383	STMP	Stamps.com Inc.
384	NENG	Network Engines, Inc
385	SNWL	SonicWALL, Inc.
386	MAIL	Mail.com, Inc.
387	JAWZ	JAWZ, Inc.
388	ANDW	Andrew Corporation
389	STEI	Stewart Enterprises, Inc.
390	INHL	Inhale Therapeutic Systems, Inc.
391	HYSL	Hyperion Solutions Corporation
392	NSIT	Insight Enterprises, Inc.
393	MUEI	Micron Electronics, Inc.
394	ABIZ	Adelphia Business Solutions, Inc.
395	FILE	FileNet Corporation
396	CCRT	CompuCredit Corporation
397	CYTC	CYTYC Corporation
398	DIGX	Digex, Inc.
399	HBAN	Huntington Bancshares Incorporated
400	QHGI	Quorum Health Group, Inc.
401	EXAR	Exar Corporation
402	TRIH	Triad Hospitals, Inc.
403	ASFC	Astoria Financial Corporation
404	RECN	Resources Connection, Inc.
405	IATV	ACTV Inc.
406	GYMB	Gymboree Corporation (The)
407	CITC	Citadel Communications Corporation
408	ELON	Echelon Corporation
409	SHPGY	Shire Pharmaceuticals Group, plc
410	CYTO	Cytogen Corporation
411	PETM	PETsMART, Inc.
412	CMNT	Computer Network Technology Corporation
413	EPIC	Epicor Software Corporation
414	FCEL	FuelCell Energy, Inc.
415	PKTR	Packeteer, Inc.
416	IBAS	iBasis, Inc.
417	MYPT	MyPoints.com, Inc.
418	THDO	3DO Company (The)
419	SYBS	Sybase, Inc.

420	CCBL	C-COR.net Corporation
421	PGTV	Pegasus Communications Corporation
422	NTPA	Netopia, Inc.
423	ARCC	Allied Riser Communications Corporation
424	OMKT	Open Market, Inc.
425	ARTT	Advanced Radio Telecom Corp.
426	IMAX	Imax Corporation
427	SCIO	Scios, Inc.
428	CAMP	California Amplifier, Inc.
429	ESRX	Express Scripts, Inc.
430	ADSK	Autodesk, Inc.
431	DRTE	Dendrite International, Inc.
432	VRTY	Verity, Inc.
433	WWCA	Western Wireless Corporation
434	INRG	Inrange Technologies Corporation
435	TROW	T. Rowe Price Group, Inc.
436	DCTM	Documentum, Inc.
437	CTIC	Cell Therapeutics, Inc.
438	DROOY	Durban Roodeport Deep, Ltd.
439	MVSN	Macrovision Corporation
440	BSYS	BISYS Group, Inc. (The)
441	WAVX	Wave Systems Corp.
442	NWAC	Northwest Airlines Corporation
443	RGBK	Regions Financial Corporation
444	PRCS	PRAECIS PHARMACEUTICALS INCORPORATED
445	RETK	Retek Inc.
446	ACLS	Axcelis Technologies, Inc.
447	PTNR	Partner Communications Company Ltd.
448	QSFT	Quest Software, Inc.
449	GOAM	GoAmerica, Inc.
450	AMES	Ames Department Stores, Inc.
451	IDCC	InterDigital Communications Corp.
452	VLNC	Valence Technology, Inc.
453	EMMS	Emmis Communications Corporation
454	IBEM	iBEAM Broadcasting Corporation
455	MERX	Merix Corporation
456	ERTH	EarthShell Corporation
457	BWAY	Breakaway Solutions, Inc.
458	BOUT	About.com, Inc.
459	CERN	Cerner Corporation
460	MYGN	Myriad Genetics, Inc.
461	LPTH	LightPath Technologies, Inc.
462	IIXL	iXL Enterprises, Inc.
463	SIRI	Sirius Satellite Radio Inc.
464	ISSX	Internet Security Systems Inc
465	CSGS	CSG Systems International, Inc.
466	BYND	Beyond.com Corporation
467	PRIA	PRI Automation, Inc.
468	ROIAK	Radio One, Inc.
469	MEOH	Methanex Corporation
470	TLGD	Tollgrade Communications, Inc.
471	SATH	Shop at Home, Inc.
472	CRDS	Crossroads Systems, Inc.

473	BOBJ	Business Objects S.A.
474	ASCX	Advanced Switching Communications, Inc.
475	DSLN	DSL.net, Inc.
476	TKLC	Tekelec
477	STRM	StarMedia Network, Inc.
478	STRX	STAR Telecommunications, Inc.
479	ASPT	Aspect Communications Corporation
480	ZRAN	Zoran Corporation
481	ACAP	American Physicians Capital, Inc.
482	ZOMX	Zomax Incorporated
483	ITCD	ITC DeltaCom, Inc.
484	ALLR	Allaire Corporation
485	OSIP	OSI Pharmaceuticals Inc.
486	CELL	Brightpoint, Inc.
487	ADVP	Advance Paradigm, Inc.
488	XXIA	Ixia
489	ZOOX	Gadzoox Networks, Inc.
490	BVEW	Bindview Development Corporation
491	NVTL	Novatel Wireless, Inc.
492	XYBR	Xybernaut Corporation
493	ECLP	Eclipsys Corporation
494	ACTL	Actel Corporation
495	PRHC	Province Healthcare Company
496	PCLE	Pinnacle Systems, Inc.
497	ELOT	eLOT, Inc.
498	CVAS	Corvas International, Inc.
499	GSLI	GSI Lumonics Inc.
500	UPCOY	United Pan-Europe Communications N.V.
501	WFMI	Whole Foods Market, Inc.
502	ONNN	ON Semiconductor Corporation
503	PSEM	Pericom Semiconductor Corporation
504	PCAR	PACCAR Inc
505	PTEN	Patterson Energy, Inc.
506	BLDP	Ballard Power Systems, Inc.
507	NXCD	NextCard, Inc.
508	DSPG	DSP Group, Inc.
509	ALSC	Alliance Semiconductor Corporation
510	MSLV	MetaSolv Inc
511	NTOP	Net2Phone
512	HAIN	The Hain Celestial Group, Inc.
513	SPOT	PanAmSat Corporation
514	ENWV	Endwave Corporation
515	TDFX	3Dfx Interactive, Inc.
516	NWKC	Network Commerce Inc
517	COGN	Cognos Incorporated
518	NBTY	NBTY, Inc.
519	UTHR	United Therapeutics Corporation
520	DSET	DSET Corporation
521	LOOK	LookSmart, Ltd.
522	DDIC	DDi Corp.
523	SUPG	SuperGen, Inc.
524	HYGS	Hydrogenics Corporation
525	MTNT	Motient Corporation

526	VNWK	Visual Networks, Inc.
527	GETY	Getty Images, Inc.
528	NETE	Netegrity, Inc.
529	ZION	Zions Bancorporation
530	KOOP	drkoop.com, Inc.
531	PILT	Pilot Network Services, Inc.
532	CHCS	Chico's FAS, Inc.
533	ECIL	ECI Telecom Ltd.
534	MONE	MatrixOne, Inc.
535	HPOW	H Power Corporation
536	EXLN	eXcelon Corporation
537	OMNY	OmniSky Corporation
538	LENS	Concord Camera Corp.
539	TTEK	Tetra Tech, Inc.
540	IMAT	Imatron Inc.
541	METHA	Methode Electronics, Inc.
542	GILTF	Gilat Satellite Networks Ltd.
543	CMTO	Com21, Inc.
544	ACPW	Active Power, Inc.
545	MOLXA	Molex Incorporated
546	BUYX	BUY.COM INC.
547	EXPD	Expeditors International of Washington, Inc.
548	RMDY	Remedy Corporation
549	PRGX	The Profit Recovery Group International, Inc.
550	CONE	Carrier 1 International S.A.
551	CBSS	Compass Bancshares, Inc.
552	WAVC	WaveRider Communications Inc.
553	WGRD	WatchGuard Technologies, Inc.
554	CLPA	Cell Pathways, Inc.
555	FIBR	Osicom Technologies, Inc.
556	BCON	Beacon Power Corporation
557	PROX	Proxim, Inc.
558	MLHR	Herman Miller, Inc.
559	INFA	Informatica Corporation
560	TMCS	Ticketmaster Online-CitySearch, Inc.
561	NPLS	Network Plus Corp.
562	ADTN	ADTRAN, Inc.
563	ARTC	ArthroCare Corporation
564	OPTV	OpenTV Corp.
565	ROBV	Robotic Vision Systems, Inc.
566	LFMN	LifeMinders Inc
567	PDYN	Paradyne Networks, Inc.
568	ELOY	eLoyalty Corporation
569	LPNT	LifePoint Hospitals, Inc.
570	POWI	Power Integrations, Inc.
571	VRTL	Vertel Corporation
572	LEXG	Lexicon Genetics Incorporated
573	USON	US Oncology, Inc.
574	FTHL	FLAG Telecom Holdings Limited
575	ASPX	Auspex Systems, Inc.
576	SMTF	SmartForce plc
577	IMPH	IMPATH Inc.
578	NOVN	Noven Pharmaceuticals, Inc.

579	RNBO	Rainbow Technologies, Inc.
580	INMX	InforMax, Inc.
581	HNCS	HNC Software Inc.
582	ESST	ESS Technology, Inc
583	MRVL	Marvell Technology Group, Ltd.
584	FHCC	First Health Group Corp.
585	SNRZ	Sunrise Assisted Living Inc.
586	WLNK	WebLink Wireless, Incorporated
587	NXTP	Nextel Partners, Inc.
588	TLCT	Telocity, Inc.
589	CNTR	Centura Software Corporation
590	IARC	Information Architects Corporation
591	TIXX	Tickets.com, Inc.
592	NETP	Net Perceptions, Inc.
593	EEEE	eMachines, Inc.
594	GLGC	Gene Logic Inc.
595	SBGI	Sinclair Broadcast Group, Inc.
596	TWTC	Time Warner Telecom Inc.
597	HSAC	High Speed Access Corp.
598	PHCC	Priority Healthcare Corporation
599	RCGI	Renal Care Group, Inc.
600	ELAS	Elastic Networks Inc.
601	WITC	Wit Soundview Group Inc
602	HSIC	Henry Schein, Inc.
603	DTHK	DigitalThink, Inc.
604	ARQL	ArQule, Inc.
605	CANI	Carreker Corporation
606	BNBN	barnesandnoble.com inc.
607	SBAS	StarBase Corporation
608	MPLX	Mediaplex, Inc.
609	CYBR	Cyber-Care Inc.
610	APWR	ASTROPOWER, Inc.
611	EGOV	National Information Consortium, Inc.
612	INTW	InterWorld Corporation
613	OATS	Wild Oats Markets, Inc.
614	RSFC	Republic Security Financial Corporation
615	SGNT	Sagent Technology, Inc.
616	ATMI	ATMI Inc.
617	EGGS	Egghead.com Inc.
618	TUNE	Microtune, Inc.
619	PLMD	PolyMedica Corporation
620	IWAV	InterWAVE Communications International, Ltd.
621	ESIO	Electro Scientific Industries, Inc.
622	RSYS	RadiSys Corporation
623	SBSA	Spanish Broadcasting System, Inc.
624	CLIC	Calico Commerce, Inc.
625	HADV	Havas Advertising
626	NETM	NetManage, Inc.
627	ITXC	ITXC Corp.
628	AOLA	America Online Latin America, Inc.
629	AFWY	American Freightways Corporation
630	ESTM	E-Stamp Corporation
631	INKP	Inkine Pharmaceutical Company Inc.

632	PPDI	Pharmaceutical Product Development, Inc.
633	WFII	Wireless Facilities, Inc.
634	WHES	W-H Energy services, Inc.
635	CGNX	Cognex Corporation
636	INSM	Insmed, Inc.
637	ATTC	AT&T Canada, Inc.
638	CRAY	Cray Inc
639	RSAS	RSA Security, Inc.
640	FCOM	Focal Communications Corporation
641	AFOP	Alliance Fiber Optic Products, Inc.
642	PMCO	ProMedCo Management Company
643	SOFN	Softnet Systems, Inc.
644	JWEB	Juno Online Services, Inc.
645	ITRA	Intraware, Inc.
646	ZIXI	ZixIt Corporation
647	TRAC	Track Data Corporation
648	GOTO	GoTo.com, Inc.
649	RESP	Respironics, Inc.
650	BTGC	Bio-Technology General Corp.
651	EPRS	Eprise Corporation
652	UAXS	Universal Access, Inc.
653	PTEK	PTEK Holdings, Inc.
654	BWEB	BackWeb Technologies Ltd.
655	EAGL	EGL, Inc.
656	SYKE	Sykes Enterprises, Incorporated
657	EQIX	Equinix, Inc.
658	CHRZ	Computer Horizons Corp.
659	SIFY	Satyam Infoway Limited
660	VYYO	Vyyo, Inc.
661	PXLW	Pixelworks, Inc.
662	SCON	Superconductor Technologies Inc.
663	NXWX	Nx Networks Inc.
664	PCTI	PC-Tel, Inc.
665	SQST	SciQuest.com, Inc.
666	PRTN	Proton Energy Systems, Inc.
667	SEIC	SEI Investments Company
668	PDII	Professional Detailing, Inc.
669	BRKS	Brooks Automation, Inc.
670	INRS	IntraNet Solutions Inc.
671	ASTM	Aastrom Biosciences, Inc.
672	CHPC	ChipPAC, Inc.
673	COMM	CoreComm Limited
674	PCOP	Pharmacopeia, Inc.
675	CRXA	Corixa Corporation
676	LDIG	Liberty Digital, Inc.
677	ORCH	Orchid Biosciences, Inc.
678	GNTA	Genta Incorporated
679	EMUS	Emusic.com Inc.
680	PLUG	Plug Power, Inc.
681	NOVT	Novoste Corporation
682	ALLC	Allied Capital Corporation
683	PSTI	Per-Se Technologies, Inc.
684	DRTN	Data Return Corporation

685	BILL	Billing Concepts Corp.
686	ONXX	ONYX Pharmaceuticals, Inc.
687	SCOC	Santa Cruz Operation, Inc. (The)
688	SPWX	SpeechWorks International, Inc.
689	LWIN	Leap Wireless International, Inc.
690	CEGE	Cell Genesys, Inc.
691	TSCC	Technology Solutions Company
692	AWRE	Aware, Inc.
693	IMMU	Immunomedics, Inc.
694	BTOB	SierraCities.com Inc.
695	JKHY	Jack Henry & Associates, Inc.
696	GWRX	Geoworks Corporation
697	LQID	Liquid Audio, Inc.
698	CACS	Carrier Access Corporation
699	WEBT	WebTrends Corporation
700	PLAB	Photronics, Inc.
701	AREM	AremisSoft Corporation
702	ABSC	Aurora Biosciences Corporation
703	ICOS	ICOS Corporation
704	LAMR	Lamar Advertising Company
705	CBST	Cubist Pharmaceuticals, Inc.
706	FTRL	FutureLink Corp.
707	BNKU	Bank United Corporation
708	ACCL	Accelerated Networks, Inc.
709	ONVI	Onvia.com, Inc.
710	SQNM	Sequenom, Inc.
711	DSCM	drugstore.com, inc.
712	JAKK	JAKKS Pacific, Inc.
713	GBBK	Greater Bay Bancorp
714	NCNT	Netcentives, Inc.
715	PHTN	Photon Dynamics, Inc.
716	NCOG	NCO Group, Inc.
717	STEC	Simple Technology, Inc.
718	EMKR	EMCORE Corporation
719	ANEN	Anaren Microwave, Inc.
720	ENMD	EntreMed, Inc.
721	SCLN	SciClone Pharmaceuticals, Inc.
722	SBAC	SBA Communications Corporation
723	COOL	Cyberian Outpost, Inc.
724	SRNA	SERENA Software Inc.
725	BRIO	Brio Technology, Inc.
726	CLST	Cellstar Corporation
727	LTWO	Learn2.com Inc.
728	XMSR	XM Satellite Radio Holdings Inc.
729	GPSI	Great Plains Software, Inc.
730	EXEL	Exelixis, Inc.
731	WMUX	Western Multiplex Corporation
732	SERO	Serologicals Corporation
733	AMRI	Albany Molecular Research, Inc.
734	VOXX	Audiovox Corporation
735	DCEL	Dobson Communications Corporation
736	MDLI	MedicaLogic/Medscape Inc
737	VARI	Varian, Inc.

738	TMAR	Trico Marine Services, Inc.
739	SABA	Saba Software, Inc.
740	AMSC	American Superconductor Corporation
741	GENE	Genome Therapeutics, Corp
742	EGAN	eGain Communications Corporation
743	ESTI	Eclipse Surgical Technologies, Inc.
744	PLCE	The Children's Place Retail Stores, Inc.
745	ATTL	AT&T Latin America Corp.
746	COHR	Coherent, Inc.
747	CPTL	CTC Communications Corp.
748	TNSI	Triton Network Systems, Inc.
749	PVTL	Pivotal Corporation
750	TWTR	Tweeter Home Entertainment Group, Inc
751	ORLY	O'Reilly Automotive, Inc.
752	CYBS	CyberSource Corporation
753	CTLM	Centillium Communications, Inc.
754	MIPS	MIPS Technologies, Inc.
755	CAIR	Corsair Communications, Inc.
756	SINA	sina.com
757	IGTE	iGate Capital Corporation
758	QUIK	QuickLogic Corporation
759	RACE	DATA RACE, Inc.
760	SPIL	Siliconware Precision Industries Company, Ltd.
761	MTSN	Mattson Technology, Inc.
762	DVIN	divine interVentures, inc.
763	EXFO	EXFO Electro-Optical Engineering
764	ACLA	ACLARA BioSciences, Inc.
765	LVCI	Laser Vision Centers, Inc.
766	RSLN	Roslyn Bancorp, Inc.
767	WPPGY	WPP Group plc
768	CCMP	Cabot Microelectronics Corporation
769	ISIP	Isis Pharmaceuticals, Inc.
770	DBCC	Data Broadcasting Corporation
771	INTD	InteliData Technologies Corporation
772	TTEC	TeleTech Holdings, Inc.
773	WGAT	Worldgate Communications, Inc.
774	IVIL	iVillage, Inc.
775	MDRX	Allscripts, Inc.
776	PZZA	Papa John's International, Inc.
777	KEYN	Keynote Systems, Inc.
778	ALLP	Alliance Pharmaceutical Corp.
779	IMRS	IMRglobal Corp.
780	CALP	Caliper Technologies Corp.
781	ZANY	Zany Brainy, Inc.
782	CVTY	Coventry Health Care Inc
783	MCNS	Mediconsult.com, Inc.
784	ROIA	Radio One, Inc.
785	JAZZ	Jazztel p.l.c.
786	SCUR	Secure Computing Corporation
787	MTIC	MTI Technology Corporation
788	JMXI	Jupiter Media Metrix Inc.
789	PCTL	PictureTel Corporation
790	SFAM	SpeedFam-IPEC Inc.

791	ORBK	Orbotech Ltd.
792	RCOM	Register.com, Inc.
793	VVTV	ValueVision International, Inc.
794	AVIR	Aviron
795	PEGS	Pegasus Solutions Inc
796	MCKC	MCK Communications, Inc.
797	TIVO	TiVo Inc.
798	GNLB	Genelabs Technologies, Inc.
799	PCCC	PC Connection, Inc.
800	NERX	NeoRx Corporation
801	PKSI	Primus Knowledge Solutions, Inc.
802	CINF	Cincinnati Financial Corporation
803	AVGO	AvantGo, Inc.
804	CHRS	Charming Shoppes, Inc.
805	WJCI	WJ Communications, Inc.
806	VRSO	Verso Technologies, Inc.
807	MDEA	Media 100 Inc.
808	BRZE	BreezeCOM, Ltd.
809	IDXX	IDEXX Laboratories, Inc.
810	SPNS	Sapiens International Corporation N.V.
811	CBIZ	Century Business Services, Inc
812	SIPX	SIPEX Corporation
813	SWFT	Swift Transportation Co., Inc.
814	BEOS	Be Incorporated
815	GZTC	Genzyme Transgenics Corporation
816	NTBK	Net.B@nk, Inc.
817	GZBX	Genzyme General
818	WCNX	Waste Connections Inc.
819	IFIN	Investors Financial Services Corp.
820	HELX	Helix Technology Corporation
821	GLCBY	Globo Cabo S.A.
822	TLCP	TeleCorp PCS Inc CL A
823	VVUS	Vivus, Inc.
824	PFSW	PFSweb, Inc.
825	ALXN	Alexion Pharmaceuticals, Inc.
826	OVTI	OmniVision Technologies, Inc.
827	SANG	SangStat Medical Corporation
828	FRNT	Frontier Airlines, Inc.
829	SEAC	SeaChange International, Inc.
830	AMLN	Amylin Pharmaceuticals, Inc.
831	ADVS	Advent Software, Inc.
832	ASTN	Ashton Technology Group, Inc. (The)
833	ICST	Integrated Circuit Systems, Inc.
834	REGI	Renaissance Worldwide Inc.
835	EDMC	Education Management Corporation
836	ASMI	ASM International N.V.
837	BELM	Bell Microproducts Inc.
838	XRAY	DENTSPLY International Inc.
839	HOTT	Hot Topic, Inc.
840	SMDI	Stanford Microdevices, Inc.
841	OCAS	Ohio Casualty Corporation
842	DSGX	Descartes Systems Group Inc. (The)
843	IMNR	Immune Response Corporation (The)

844	AZPN	Aspen Technology, Inc.
845	MIPSB	MIPS Technologies, Inc.
846	ONXS	ONYX Software Corporation
847	PTMK	Pathmark Stores, Inc.
848	ZBRA	Zebra Technologies Corporation
849	DPMI	DuPont Photomasks, Inc.
850	MTWV	Metawave Communications Corporation
851	MCAF	McAfee.com Corporation
852	ASTSF	ASE Test, Limited
853	SNRA	Sonera Corporation
854	NETS	YouthStream Media Networks Inc
855	UTIW	UTi Worldwide Inc.
856	BIOM	Biomira Inc.
857	NPSP	NPS Pharmaceuticals, Inc.
858	PLXT	PLX Technology, Inc.
859	CAKE	Cheesecake Factory Incorporated (The)
860	ADLR	Adolor Corporation
861	VWPT	Viewpoint Corporation
862	CYSV	Cysive, Inc.
863	OPUS	Opus360 Corporation
864	FAST	Fastenal Company
865	NICE	NICE-Systems Limited
866	TRMB	Trimble Navigation Limited
867	PACW	Pac-West Telecomm, Inc.
868	EGLS	Electroglas, Inc.
869	NSPR	INSpire Insurance Solutions, Inc.
870	SMRT	Stein Mart, Inc.
871	GERN	Geron Corporation
872	POSO	ProsoftTraining.com
873	ARIA	ARIAD Pharmaceuticals, Inc.
874	RVSN	RADVision Ltd.
875	CAIS	CAIS Internet, Inc.
876	AWEB	Autoweb.com, Inc.
877	TOPP	Topps Company, Inc. (The)
878	WCLX	Wisconsin Central Transportation Corporation
879	CYBA	Andrx Group
880	KERA	KeraVision, Inc.
881	TNOX	Tanox, Inc.
882	AVNT	Avant! Corporation
883	TTWO	Take-Two Interactive Software, Inc.
884	NPIX	Network Peripherals, Inc.
885	TTMI	TTM Technologies, Inc.
886	ACCD	Accord Networks Ltd.
887	VIAD	Viador Inc.
888	SLTC	Selectica, Inc.
889	ICCI	Insight Communications Company, Inc.
890	AXTI	AXT Inc
891	PCTH	Pacific Aerospace & Electronics, Inc.
892	DATC	Datatec Systems, Inc.
893	SYNQ	SynQuest, Inc.
894	ACTR	Acterna Corp.
895	VCNT	Vicinity Corporation
896	ILXO	ILEX Oncology, Inc.

897	SSFT	ScanSoft, Inc.
898	AXPH	Axys Pharmaceuticals Inc.
899	DTAS	Digitas, Inc.
900	EWBC	East West Bancorp, Inc.
901	KOREA	Korea Thrunet Co., Ltd.
902	MGIC	Magic Software Enterprises Ltd
903	IDTC	IDT Corporation
904	PFCB	P.F.Chang's China Bistro, Inc.
905	NMTC	Numerical Technologies, Inc.
906	ARRY	Array BioPharma Inc.
907	NANO	Nanometrics Incorporated
908	MESG	MessageMedia Inc.
909	SGMO	Sangamo BioSciences, Inc.
910	TGLO	theglobe.com, inc.
911	XPDR	Xpedior Incorporated
912	SYXI	IXYS Corporation
913	UTEK	Ultratech Stepper, Inc.
914	USPL	U. S. Plastic Lumber Corporation
915	POZN	Pozen, Inc.
916	TECH	Techne Corporation
917	CYGN	Cygnus, Inc.
918	MKSI	MKS Instruments, Inc.
919	MRBA	Marimba, Inc.
920	STRD	Strategic Distribution, Inc.
921	CHRW	C.H. Robinson Worldwide, Inc.
922	ASTT	ASAT Holdings Limited
923	HYBR	Hybrid Networks, Inc.
924	INTV	InterVoice-Brite, Inc.
925	CWLD	CrossWorlds Software, Inc.
926	TLRK	Tularik Inc.
927	NGEN	Nanogen, Inc.
928	SDRC	Structural Dynamics Research Corporation
929	LCAV	LCA-Vision Inc.
930	OLOG	Offshore Logistics, Inc.
931	CIMA	Cima Labs Inc.
932	SAGI	Sage, Inc.
933	MSEL	Merisel, Inc.
934	AMSY	American Management Systems, Incorporated
935	CCRD	Concord Communications, Inc.
936	APPB	Applebee's International, Inc.
937	OTEC	ORATEC Interventions, Inc.
938	REGN	Regeneron Pharmaceuticals, Inc.
939	WOMN	Women.com Networks, Inc.
940	TLXS	Telaxis Communications Corporation
941	CRIO	Corio, Inc.
942	CYCO	Cypress Communications Inc.
943	ARDI	At Road, Inc.
944	PTEL	Powertel, Inc.
945	PHMD	PhotoMedex, Inc.
946	LGND	Ligand Pharmaceuticals Incorporated
947	PDCO	Patterson Dental Company
948	GNOM	Genomica Corporation
949	LEXR	Lexar Media, Inc.

950	IMDC	Inamed Corporation
951	VATA	Versata, Inc.
952	FLCG	Frontline Capital Group
953	TWMC	Trans World Entertainment Corp.
954	INCX	InfoCure Corporation
955	ROSS	Ross Systems, Inc.
956	ICII	Imperial Credit Industries, Inc.
957	DGIN	Digital Insight Corporation
958	SKYW	SkyWest, Inc.
959	FIRE	FirePond, Inc.
960	MEAD	Meade Instruments Corp.
961	UTSI	UTStarcom, Inc.
962	OLGC	Orthologic Corp.
963	STEM	StemCells, Inc.
964	INIT	Interliant, Inc.
965	ASBC	Associated Banc-Corp
966	MLTX	Multex.com, Inc.
967	CDTS	Conductus, Inc.
968	EDSN	Edison Schools, Inc.
969	TMBR	Tom Brown, Inc.
970	AIRN	Airspan Networks Inc.
971	MSGI	Marketing Services Group, Inc.
972	DRIV	Digital River, Inc.
973	ASIA	AsiaInfo Holdings, Inc.
974	SPLN	SportsLine.com, Inc.
975	ANCC	AirNet Communications Corporation
976	BWSI	Blue Wave Systems Inc.
977	CRIS	Curis, Inc.
978	IFSIA	Interface, Inc.
979	LTRE	Learning Tree International, Inc.
980	ARTD	ARTISTdirect, Inc.
981	ELCO	Elcom International, Inc.
982	BCGI	Boston Communications Group, Inc.
983	AVTC	AVT Corporation
984	NPLI	Netpliance, Inc.
985	CLTK	Celeritek, Inc.
986	ULCM	Ulticom, Inc.
987	IDXC	IDX Systems Corporation
988	MRBK	Mercantile Bankshares Corporation
989	EFCX	Electric Fuel Corporation
990	PRGO	Perrigo Company
991	WFSL	Washington Federal, Inc.
992	ANCX	ANC Rental Corporation
993	ROIL	Remington Oil and Gas Corporation
994	SONC	Sonic Corp.
995	CTRA	Centra Software, Inc.
996	MAXY	Maxygen, Inc.
997	ASFD	Ashford.com, Inc.
998	PRDS	Predictive Systems, Inc.
999	ARMHY	ARM Holdings, plc
1000	BIDS	Bid.Com International Inc.