

should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-2003-28 and should be submitted by April 7, 2003.

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

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47481; File No. SR-NASD-2003-29]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Regarding the Automated Confirmation Transaction Service ("ACT") Workstation

March 11, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 3, 2003, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by Nasdaq. Nasdaq filed the proposal pursuant to section 19(b)(3)(A) of the Act,<sup>3</sup> and rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the

Commission.<sup>5</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Nasdaq proposes to introduce a new product known as the ACT Workstation. The text of the proposed rule change is below. Proposed new language is in italics; proposed deletions are in brackets.

##### 6100. AUTOMATED CONFIRMATION TRANSACTION SERVICE (ACT)

##### 6110. Definitions

(a)-(g) No change.

(h) The terms "Gross Dollar Thresholds" or "*Super Caps*" in the risk management application of ACT shall mean the daily dollar amounts for purchases and sales that a clearing broker establishes in the ACT system for each correspondent executing broker that may be raised or lowered on an inter-day or intra-day basis. If the value of a correspondent's trades, including those aggregated from transactions in all automated systems owned and operated by the Association or its subsidiaries, equals or exceeds [the] *any* gross dollar threshold[s], the system will alert the clearing broker.

(i)-(k) No change.

(l) The term "Pre-alert" shall mean the alert notifying the correspondent executing broker and the clearing broker that the correspondent executing broker has equaled or exceeded 70% of [the] *any* purchase or sale gross dollar amount[s]. The Association reserves the right to modify the percentage of the pre-alert as necessary and upon prior notification to the ACT Participants.

(m)-(n) No change.

(o) The term "Single Trade Limit" shall mean the *pre-established* dollar amount [established by the Association] for a single trade that enables an ACT clearing firm to review the trade before it is obligated to clear the trade. When a correspondent executing broker negotiates a trade that equals or exceeds the Single Trade Limit, its clearing broker shall have a period of fifteen (15) minutes to review and agree or decline to act as principal for clearing that trade. [Initially, the Single Trade Limit shall be set at \$1,000,000.] The Association reserves the right to modify the [dollar

amount of the Single-Trade Limit or the] time frame for clearing broker review as necessary and upon prior notification to the ACT Participants.

(p) No change.

##### 6120. Participation in ACT

(a) No change.

(b)(1)-(3) No change.

##### (4) Clearing Broker Obligations

(A) No change.

(B) ACT clearing brokers may utilize the ACT Risk Management functions upon execution of the ACT Participant Risk Management Agreement. Clearing brokers that utilize[d] the ACT Risk Management functions may establish for each correspondent executing broker daily Gross Dollar Thresholds and may raise or lower the thresholds on an inter-day or intra-day basis. ACT clearing brokers will receive a system alert when a correspondent executing broker equals or exceeds [its] *any* gross dollar threshold[s], and will also receive a system pre-alert when a correspondent executing broker equals or exceeds 70% of [the] *any* daily threshold[s].

(C) For trades effected by a correspondent executing broker that equal or exceed [the ACT system's] *a* Single Trade Limit [of \$1,000,000], clearing brokers have fifteen (15) minutes from the time of trade report input to ACT to review the trade and accept or decline to act as principal to the trade. If the clearing broker does not make an affirmative acceptance or declination of the trade report within fifteen (15) minutes, the trade report will be subject to [normal ACT processing and the clearing broker will be obligated to act as principal for the trade] *processing in accordance with the pre-established criteria described in Rule 6150(b)(6)*.

\* \* \* \* \*

##### 6150. ACT Risk Management Functions

(a) No change.

(b) If a clearing broker voluntarily uses ACT risk management, the ACT system will provide the following risk management capabilities to clearing brokers that have executed an ACT Participant Risk Management Agreement:

##### (1) Trade File Scan

Clearing brokers will be able to scan the trading activities of their correspondent executing brokers through a Nasdaq terminal.

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

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

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

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

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

<sup>5</sup> Nasdaq provided the Commission with notice of its intent to file the proposed rule change on January 9, 2003. Nasdaq has asked the Commission to waive the 30-day operative delay. See Rule 19b-4(f)(6)(iii). 17 CFR 240.19b-4(f)(6)(iii). The Commission has decided not to waive the 30-day operative delay.