

trading) shall be allocated pro rata on a monthly basis among all specialist firms engaged in OTC/UTP trading, based on the number of OTC/UTP co-specialists at each firm.

Time clocks: No change to text.

Cable TV: No change to text.

[ACT/Select Net access]: No change to text.

Nasdaq/Nasdaq Tools Fees and Charges

* * * * *

MAX Connection Charges: No change to text.

MAX Access Charge

\$1,000 per access point, allocated pro rata among the firms that gain access to the Exchange's MAX system through that access point.

I. Clearing Support Fees

(Minimum clearing support fee is \$600 per month)

1. Account Fees: No change to text.
2. CUSIP Fees: No change to text.

3. Processing Fees

Transactions in OTC securities that are executed by floor brokers in securities that are not assessed a Specialist OTC CUSIP Fee but are processed by the Exchange's clearing systems
\$.0015/share, up to \$100 per side

J. Listing Fees

No change to text.

K. Market Regulation and Market Surveillance Fees

No change to text.

L. Supplies and Reports

No change to text.

M. Credits

1. Specialist Credits

Total monthly fees owed by a specialist to the Exchange will be reduced (and specialists will be paid each month for any unused credits) by the application of the following credits:

- a. [Effective July 1, 2002] [f]For transactions in Tape A Securities:

CHX monthly CTA trade volume by stock	Transaction credit
<7%	18%
7%—12%	45%
>12%	70%

"Tape A Securities" are securities reported on Tape A of the Consolidated Tape Association.

"Transaction Credit" when used in connection with Tape A Securities means the applicable percentage of

monthly CHX tape revenue from the Consolidated Tape Association generated by a particular stock. To the extent that CHX tape revenue is subject to a year end adjustment, specialist credits may be adjusted accordingly.

[For each month from September 2002 through December 2002,] [t]The Transaction Credit calculated above for each specialist firm shall be decreased by an amount equal to that specialist firm's "Credit Reduction Charge," which shall be calculated as follows:

(Total CHX Monthly Tape A Transaction Credits ÷ Total CHX Monthly Tape A & B Transaction Credits) × \$40,000 = Tape A Pro Rata Share

(Specialist's Monthly Tape A Transaction Credits ÷ Total CHX Monthly Tape A Transaction Credits) × Tape A Pro Rata Share = Specialist's Credit Reduction Charge

- b. [Effective July 1, 2002] [f]For transactions in Tape B Securities:

CHX monthly CTA trade volume by stock	Transaction credit
≤5.75%	18%
>5.75%	50%

"Transaction Credit" when used in connection with Tape B Securities means the applicable percentage of monthly CHX tape revenue from the Consolidated Tape Association generated by a particular stock. To the extent that CHX tape revenue is subject to a year end adjustment, specialist credits may be adjusted accordingly. "Tape B Securities" are securities reported on Tape B of the Consolidated Tape Association.

[For each month from September 2002 through December 2002,] [t]The Transaction Credit calculated above for each specialist firm shall be decreased by an amount equal to that specialist firm's "Credit Reduction Charge," which shall be calculated as follows:

(Total CHX Monthly Tape B Transaction Credits Total CHX Monthly Tape A & B Transaction Credits) × \$40,000 = Tape B Pro Rata Share
(Specialist's Monthly Tape B Transaction Credits ÷ Total CHX Monthly Tape B Transaction Credits) × Tape B Pro Rata Share = Specialist's Credit Reduction Charge

2. Floor Broker Credits

- a. Earned Credits. [Effective January 1, 2001,] [t]Total monthly fees owed by a floor broker to the Exchange will be reduced by the application of the following Earned Credit (and floor

brokers will be paid each month for any unused credits):

* * * * *

[For each month from September 2002 through December 2002,] [t]The Earned Credit calculated above for each floor broker shall be decreased by an amount equal to that floor broker's "Credit Reduction Charge," which shall be calculated as follows:

(Floor Broker's Monthly Earned Credit ÷ Total CHX Monthly Earned Credits) × \$50,000 = Floor Broker's Credit Reduction Charge

* * * * *

3. Credits for Qualified Market Makers Registered in Cabinet Securities

No change to text.

* * * * *

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

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

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

1. Purpose

The proposed rule change amends the Schedule in several ways. First, the proposal increases membership dues, for all members, from \$5,000 to \$6,000 per year and eliminates the fee relating to member firm branch offices. The Exchange believes that it is appropriate to eliminate the branch office fees given, among other things, its limited involvement in branch office examinations.

Next, the proposal extends, for an indefinite term, the OTC Specialist Fixed Fee Charge, Listed Specialist Credit Reduction Charge and Floor Broker Credit Reduction Charge. These charges were put in place late last year⁵ and have the impact of increasing the OTC Specialist Fixed Fee and reducing the amount of tape credits available to

⁵ See Securities Exchange Act Release No. 46592 (October 2, 2002), 67 FR 62999 (October 9, 2002) (SR-CHX-2002-28).