

d. Same Functionality

Nasdaq represents that Primex users that choose to access Primex over the Internet will also have access to the same functionality as they would over a dedicated circuit. In particular, Internet users will be able to enter orders, enter predefined relative indications ("PRIs"), respond to auctions, view orders, executions and PRIs, and withdraw PRIs. Once the Internet user's identity and authority to access the system is established, he/she should be able to take full advantage of Primex, while benefiting from the lower cost of the connection.

e. Security

A firm that wishes to enable its employees to access Primex over the Internet will need to coordinate requests for user authorization with Nasdaq. Such a firm's designated security administrator will provide Nasdaq with written authorization and required enrollment information. Once Nasdaq has the needed information, it will enroll the user for Internet access to Primex and provide to the user, by a secure method, certain information required to enable such access. The firm's security administrator will also be expected to give Nasdaq timely notification to disenroll any previously enrolled user who is no longer eligible for (or no longer needs) Internet access to Primex.

Nasdaq may, from time to time, change the enrollment/disenrollment requirements, methods and procedures and will advise the participating firms accordingly. Nasdaq will work with participating firms' designated security administrators to help implement user enrollment/disenrollment and to assist with the security procedures related to accessing Primex over the Internet.⁴

f. Capacity and Connection Quality

Nasdaq believes that, in its current configuration, Primex will at all times have adequate capacity to handle the expected volume of Internet connections and to accommodate a robust growth in volume with no degradation in the quality of service. Primex currently has the capacity to handle up to five times as many simultaneous connections over the Internet as Nasdaq's initial peak time estimates suggest may actually occur. Nasdaq is able to add further capacity, so as to meet any reasonably possible

surge in demand, within a matter of days.

The quality of any user's connection to Primex will, obviously, also depend on the quality of that user's Internet connection, including the nature and adequacy of the connection to the user's chosen ISP, the robustness of that ISP's network and interconnections, and the robustness of the interconnected networks. Nasdaq expects that the degree to which Primex participants choose to rely on Internet access would be consistent with the quality of Internet service such participants are able to obtain.

2. Statutory Basis

Nasdaq believes that the proposed rule change, as amended, is consistent with the provisions of section 15A of the Act,⁵ in general and with section 15A(b)(5) of the Act,⁶ in particular, which requires that the rules of the NASD provide for equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the NASD operates or controls. The proposed modification to provide a lower-cost option for accessing the Primex Auction System supports efficient use of existing systems and ensures that the associated costs are allocated equitably. Nasdaq believes that the proposed fees, which are lower than the current fees for accessing the Primex Auction System, are reasonable and equitable.

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

Nasdaq does not believe that the proposed rule change, as amended, will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments on the proposed rule change were neither solicited nor received.

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

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

(ii) as to which the NASD consents, the Commission will:

(A) By order approve such proposed rule change, as amended, or

(B) Institute proceedings to determine whether the proposed rule change, as amended, should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room.

Copies of such filings will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-2003-62 and should be submitted by June 19, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47909; File No. SR-NASD-2003-82]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. To Extend a Pilot Amendment to NASD Rule 4120 Regarding Nasdaq's Authority To Initiate and Continue Trading Halts

May 22, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934

⁴ Nasdaq will keep the Commission staff apprised of any modifications in or updates to Primex user enrollment-related procedures when such modifications or updates substantially affect the security of Internet access to Primex.

⁵ 15 U.S.C. 78o-3.

⁶ 15 U.S.C. 78o-3(b)(5).

⁷ 17 CFR 200.30-3(a)(12).