

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

Nasdaq proposes to eliminate certain fees associated with the use of the Automated Confirmation Transaction Service ("ACT").⁷ The new fee schedule will be implemented beginning on July 1, 2003. The text of the proposed rule change is below. Proposed new

language is in *italics*; proposed deletions are in [brackets].⁸
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7000. CHARGES FOR SERVICES AND EQUIPMENT

7010. System Services

(a)—(f) No change.

(g) Automated Confirmation Transaction Service.

The following charges shall be paid by the participant for use of the Automated Confirmation Transaction Service (ACT):

Transaction Related Charges:

Reporting of transactions executed through SuperMontage (or any other transaction execution system that makes use of SuperMontage's functionality to report transactions) ("SuperMontage Transactions")

Average daily volume of transaction reports for SuperMontage Transactions during the month to which a participant is a party:.	Fee per side for transaction reports of SuperMontage Transactions to which such participant is a party:
0 to 9,999	\$0.029
10,000 or more	\$0.00
<i>Other reports</i> [Reporting of all other] <i>for</i> transactions in Nasdaq National Market and SmallCap Market securities not subject to comparison through ACT ["Covered Transactions"]].	<i>\$0.00</i>
[Average daily volume of media transaction reports for Covered Transactions during the month in which a participant is the reporting party:].	[Fee per side for reports of Covered Transactions to which such participant is a party:]
[0 to 10,000]	[\$0.029]
[10,001 to 50,000]	[\$0.029 for a number of reports equal to 10,000 times the number of trading days in the month]
	[\$0.015 for all remaining reports]
[More than 50,000]	[\$0.029 for a number of reports equal to 10,000 times the number of trading days in the month]
	[\$0.015 for a number of reports equal to 40,000 times the number of trading days in the month]
	[\$0.00 for all remaining reports]
Reporting of all other transactions not subject to comparison through ACT.	\$0.029/side
Comparison	\$0.0144/side per 100 shares (minimum 400 shares; maximum 7,500 shares)
Late Report—T+N	\$0.288/side
Browse/query	\$0.288/query[*] (<i>Each ACT query incurs the \$0.288 fee; however, the first accept or decline processed for a transaction is free, to insure that no more than \$0.288 is charged per comparison. Subsequent queries for more data on the same security will also be processed free. Any subsequent query on a different security will incur the \$0.288 query charge.</i>)
Terminal fee	\$57.00/month (ACT only terminals)
CTCI fee	\$575.00/month
WebLink ACT	\$300/month (full functionality) or \$150/month (up to an average of twenty transactions per day each month)[**] (<i>For the purposes of this service only, a transaction is defined as an original trade entry, either on trade date or as of transactions per month.</i>)
Risk Management Charges	\$0.035/side and \$17.25/month per correspondent firm (maximum \$10,000/month per correspondent firm)
Corrective Transaction Charge	\$0.25/Cancel, Error, Inhibit, Kill, or 'No' position of No/Was transaction, paid by reporting side;
	\$0.25/Break, Decline transaction, paid by each party
ACT Workstation	\$525/logon/month[***] (<i>A firm that uses ACT risk management through one or more NWII terminals when the ACT Workstation is introduced will be eligible to evaluate the ACT Workstation for a free, three-month trial period, provided that the firm continues to pay charge associated with its NWII terminal(s) during that period.</i>)

[* Each ACT query incurs the \$0.288 fee; however, the first accept or decline processed for a transaction is free, to insure that no more than \$0.288 is charged per comparison. Subsequent queries for more data on the same security will also be processed free. Any subsequent query on a different security will incur the \$0.288 query charge.]

[** For the purposes of this service only, a transaction is defined as an original trade entry, either on trade date or as-of transactions per month.]

[*** A firm that uses ACT risk management through one or more NWII terminals when the ACT Workstation is introduced will be eligible to evaluate the ACT Workstation for a free, three-month trial period, provided that the firm continues to pay charges associated with its NWII terminal(s) during that period.]

⁷ This filing applies to usage of ACT by NASD members. The usage of ACT by non-members is governed by NASD Rule 6120.

⁸ The text is marked to show changes from the language of the rule as amended by Securities Exchange Act Release No. 47919 (May 23, 2003), 68

FR 32788 (June 2, 2003) (SR-NASD-2003-86), which was effective immediately upon filing.