

4719. Anonymity

(a) Transactions in executed in NNMS in which at least one member submits a Non-Attributable Quote/Order will be processed anonymously. The transaction reports will indicate the details of the transactions, but will not reveal contra party identities.

(b)(1) The processing described in paragraph (a) shall not apply to transactions executed in NNMS when the member whose Quote/Order is decremented is an Order-Delivery ECN that charges an access fee.

(2) Except as required to comply with the request of a regulator, or as ordered by a court or arbitrator, Order-Delivery ECNs ECN shall not disclose the identity of the member that submitted a Non-Attributable Quote/Order that decremented the Order-Delivery ECN's Quote/Order.

(c) The Association will reveal a member's identity in the following circumstances:

(1) When the National Securities Clearing Corporation ("NSCC") ceases to act for a member, or the member's clearing firm, and NSCC determines not to guarantee the settlement of the member's trades;

(2) For regulatory purposes or to comply with an order of an arbitrator or court; or

(3) On risk management reports provided to the member's contra parties each day after 4 p.m., which disclose trading activity on an aggregate dollar value basis.

(d) The Association will reveal to a member, no later than the end of the day on the date an anonymous trade was executed, when the member's Quote/Order has been decremented by another Quote/Order submitted by that same member.

* * * * *

5200. Intermarket Trading System/Computer Assisted Execution System**5210. Definitions**

(a)–(h) No Change.

(i) "CAES" means the "Computer Assisted Execution System", the computerized order routing and execution facility for ITS Securities, as from time to time modified or supplemented, that is operated by The Nasdaq Stock Market, Inc. and made available to NASD members. CAES functionality is offered through the "Nasdaq National Market Execution System" or "NNMS" which operates pursuant to the Rule 4700 Series.

5220. ITS/CAES Registration

In order to participate in ITS, a market maker must be registered with the

Association as an ITS/CAES Market Maker in each security in which a market will be made in ITS. Such registration shall be conditioned upon the ITS/CAES Market Maker's continuing compliance with the following requirements:

(a) registration as a CQS market maker pursuant to Rule 6320 and compliance with the Rule 6300 Series;

(b) execution of an ITS/CAES Market Maker application agreement with the Association at least two days prior to the requested date of registration;

(c) participation in NNMS in accordance with the Rule 4700 and 5200 Series;

([c]d) compliance with SEC Rule 15c3–1;

([d]e) compliance with the ITS Plan, SEC Rule 11Ac1–1 and all applicable Rules of the Association;

([e]f) the maintenance of continuous two-sided quotations in the absence of the grant of an excused withdrawal or a functional excused withdrawal by the Association;

([f]g) maintenance of the physical security of the equipment used to interface with the ITS System located on the premises of the ITS/CAES Market Makers to prevent the unauthorized entry of communications into the ITS System; and

([g]h) acceptance and settlement of each ITS System trade that the ITS System identifies as effected by such ITS/CAES Market Maker, or if settlement is to be made through another clearing member, guarantee of the acceptance of settlement of such identified ITS System trade by the clearing member on the regularly scheduled settlement date.

5221. Suspension or Revocation of ITS/CAES Registration

No Change.

5230. ITS Operations

No Change.

5240. Pre-Opening Application—Opening by ITS/CAES Market Maker

No Change.

5250. Pre-Opening Application—Openings on Other Participant Markets

No Change.

5260. System Trade and Quotations**5261. Obligation to Honor System Trades**

No Change.

5262. Trade-Throughs

No Change.

5263. Locked or Crossed Markets

No Change.

5264. Block Transactions

No Change.

5265. Authority To Cancel or Adjust Transactions

No Change.

6300. Consolidated Quotations Service (CQS)

No Change.

6400. Reporting Transactions in Listed Securities

No Change.

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

In its filing with the Commission, Nasdaq 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. Nasdaq 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 the Statutory Basis for, the Proposed Rule Change**1. Purpose**

NASD members currently use CAES to trade ITS Securities with other NASD members and also with the securities exchanges that participate in ITS. Nasdaq has decided to enhance the trading of ITS Securities by offering the superior functionality of SuperMontage, Nasdaq's fully integrated order display and execution system currently used for trading Nasdaq securities. SuperMontage allows market participants to enter unlimited quotes and orders at multiple price levels. The system displays aggregate interest five price levels deep on each side of the market and permits users to access that aggregated trading interest via a variety of order types. In addition, SuperMontage offers pre- and post-trade anonymity.

Trading of ITS Securities is affected by three national market system plans that are established jointly by the markets and approved by the Commission. Nasdaq collects quotations and trade reports from NASD members and provides such quotations to the Consolidated Quotation System ("CQ Plan") and the Consolidated Tape Association ("CT Plan") for dissemination to the public. The ITS Plan governs the manner in which