



# The Security Traders Association of New York, Inc.

Members of the Security Traders Association

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September 19, 2005

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Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, DC 20549-9303

**RE: File No. SR-NASD-2005-089**

Dear Mr. Katz:

The Security Traders Association of New York (“STANY”)<sup>1</sup> respectfully submits this letter in support of the letter dated August 26, 2005 from the Pink Sheets requesting that the NASDAQ Quotation Dissemination Service (the “Service”) disseminate real-time trade and volume data for non-NASDAQ ADRs traded over-the-counter similar to that currently disseminated for domestic equity securities. The Service presently provides a limited summary of ADR trading data at the end of the day, while it disseminates real-time data for domestic OTC equity securities<sup>2</sup>. We request comparable treatment for non-NASDAQ ADRs traded on NASDAQ.

We do not believe that any valid reason exists for the Service to discriminate in its dissemination of market data between domestic securities and ADRs. Data is sent to the Service by market makers for both groups of securities within the same time frame. OTC market makers are required under Rule 6620 of the NASD’s Rules of Fair Practice to transmit last sale reports of transactions in OTC Equity Securities, including ADRs, within 90 seconds after execution.

STANY also agrees with the position taken by the Pink Sheets with respect to dissemination of real-time trade and volume data for odd-lot transactions in all OTC equity securities that are sold for a price greater than \$200 per share. Currently the Service disseminates this information for odd-lot transactions quoted on the OTC Bulletin Board, but not for other OTC Equity Securities, such as those that are quoted on the Pink Sheets.

Since the Service receives reports in all odd-lot transactions in OTC Equity Securities within 90 seconds of execution, we see no justifiable reason for a distinction being made between OTC Equity Securities quoted on the OTC Bulletin Board and those quoted on the Pink Sheets.

<sup>1</sup> STANY is an affiliate of the Security Traders Association (“STA”), a worldwide professional trade organization for equities traders. With close to 2,000 members in the New York metropolitan area, STANY is the largest STA affiliate. STANY works to improve the ethics, business standards and working environment for members, who are engaged in the buying, selling and trading of securities.

<sup>2</sup> Rule 6610(d) defines “OTC Equity Securities” as any equity security not classified as a “designated security” for the purposes of the Rule 4630 and 4640 Series, a “restricted security” as defined by SEC Rule 144(a)(3) under the Securities Act of 1933, or a security designated in the PORTAL Market. OTC Equity Securities include all equity securities traded over-the-counter other than National Market Systems securities or NASDAQ SmallCap Market Securities, which are traded through NASDAQ, restricted securities and unregistered foreign securities.

Real-time trade information disseminated during market hours benefits the investing public and strengthens markets. It enables investors to evaluate the quality of the executions they receive and deters “trading ahead” of orders and other improper trading practices. The NASD in its comments to the proposed penny stock rules, stated that the “dissemination of real-time trade and volume data during market hours will significantly benefit investors by providing the same high degree of market visibility and more efficient price discovery for all...”<sup>3</sup>

Within the context of trading foreign securities, the Securities and Exchange Commission (the “Commission”) stressed the importance of real-time dissemination of market data. While approving the permanent status of the OTCBB service and the rule changes that removed unregistered foreign securities from the OTCBB service, the Commission noted that transaction reporting would “better enable investors to monitor the executions they receive in foreign securities.”<sup>4</sup> It should go without saying that investors can only gain the benefits afforded by transaction reporting, if the information reported is disseminated to the public.

It has been six years since the Commission urged the NASD to mandate transaction reporting and dissemination of trade prices and volume for OTC trading in ADRs. Broker-dealers report ADR transactions within 90 seconds after a trade, but where ADRs are concerned, the NASD continues to withhold the benefits of real-time transaction reports and only provides a limited summary of transaction data at the end of the day.

There is no legitimate reason for the disparate treatment of ADRs in terms of real-time trade and volume data dissemination. Likewise, there is no good reason to withhold real-time trade information from the investing public about high-priced odd-lot transactions in OTC Equity Securities traded on the Pink Sheets as opposed to the OTC Bulletin Board. No purpose is served by denying investors the benefit of real-time transaction reports. We respectfully urge the NASD to disseminate real-time transaction and volume data in ADRs and all high-priced odd-lot OTC transactions as soon as possible.

The STANY Board of Directors, and members of STANY’s International Committee and Trading Issues Committee would be happy to discuss this matter with the Commission and with the NASD. Please do not hesitate to call on us with any questions.

Respectfully,

William A. Vance  
President

Kimberly Unger  
Executive Director

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<sup>3</sup> SEC Release No. 34-30608. 1992

<sup>4</sup> SEC Release No. 34-36456, 1997. The SEC’s comments were directed specifically to the trading of unregistered foreign securities. The Service currently disseminates real-time transaction reports for in unregistered domestic securities. The failure to similarly disseminate real-time transaction reports for unregistered ADRs serves no valid purpose. Investors are being deprived of the significant benefits of real-time transaction information in foreign securities specifically address by the Commission.