

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52886; File No. S7-24-89)

December 5, 2005

Joint Industry Plan; Solicitation of Comments and Order Granting Summary Effectiveness to Request to Extend the Operation of the Reporting Plan for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis, Submitted by the Pacific Exchange, Inc., the National Association of Securities Dealers, Inc., the American Stock Exchange LLC, the Boston Stock Exchange, Inc., the Chicago Stock Exchange, Inc., the National Stock Exchange, Inc., and the Philadelphia Stock Exchange, Inc. and to Extend Certain Exemptive Relief

I. Introduction and Description

On December 2, 2005, the Pacific Exchange, Inc. ("PCX") on behalf of itself and the National Association of Securities Dealers, Inc. ("NASD"), the American Stock Exchange LLC ("Amex"), the Boston Stock Exchange, Inc. ("BSE"), the Chicago Stock Exchange, Inc. ("CHX"), the National Stock Exchange, Inc. ("NSX"), and the Philadelphia Stock Exchange, Inc. ("Phlx") (hereinafter referred to collectively as "Participants"),¹ as members of the operating committee ("Operating Committee" or "Committee") of the Plan submitted to the Securities and Exchange Commission ("Commission") a request to extend the operation of the Plan and also to extend certain exemptive relief as described below.²

The Nasdaq UTP Plan governs the collection, processing, and dissemination on a consolidated basis of quotation and last sale information for each of its Participants. This consolidated information informs investors of the current quotation and recent trade prices of

¹ PCX is the chair of the operating committee ("Operating Committee" or "Committee") for the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis ("Nasdaq UTP Plan" or "Plan") by the Participants.

² See letter from Bridget M. Farrell, Chairman, OTC/UTP Operating Committee, to Jonathan G. Katz, Secretary, Commission, dated December 2, 2005.

The Nasdaq Stock Market, Inc. ("Nasdaq") securities. It enables investors to ascertain from one data source the current prices in all the markets trading Nasdaq securities. The Plan serves as the required transaction reporting plan for its Participants, which is a prerequisite for their trading Nasdaq securities. Currently, the Plan is scheduled to expire on December 21, 2005.

This order grants summary effectiveness, pursuant to Rule 608(b)(4) under the Securities Exchange Act of 1934 ("Act"),³ to the request to extend operation of the Plan, as modified by all changes previously approved, and to the request to extend certain exemptive relief ("Date Extension"). Pursuant to Rule 608(b)(4) under the Act,⁴ the Date Extension will be effective upon publication in the Federal Register on temporary basis not to exceed 120 days.

II. Exemptive Relief

While both Nasdaq and the NASD operate under the umbrella of a single Plan Participant, the submission of two distinct best bids and offers ("BBOs") could be deemed inconsistent with Section VI.C.1 of the Plan.⁵ Pursuant to the 13th Amendment of the Plan and Rule 608(a)(3),⁶ Nasdaq cannot be granted Plan Participant status until it is registered as a national securities exchange. While Nasdaq submits a distinct BBO from the NASD and until Nasdaq is registered as a national securities exchange, the NASD will submit quotes to the Plan's

³ 17 CFR 242.608(b)(4).

⁴ 17 CFR 242.608(b)(4).

⁵ Section VI.C.1. of the Plan, as approved by the Operating Committee in the 13th Amendment, states that "[t]he Processor shall disseminate on the UTP Quote Data Feed the best bid and offer information supplied by each Participant, including the NASD...."

⁶ 17 CFR 242.608(a)(3).

Securities Information Processor ("SIP") in a manner different than specified in Section VI.C.1. of the Plan and, thus, in conflict with Commission Rule 608(c).⁷

As discussed at length in the notice of the 13th Amendment,⁸ the Commission had determined to relieve the potential conflict among the SuperMontage approval order,⁹ Rule 608,¹⁰ and the Plan, by granting the NASD an exemption under Rule 608(e)¹¹ from compliance with Section VI.C.1. of the Plan as required by Rule 608(c)¹² until such time as Nasdaq is registered as a national securities exchange.¹³ The Plan Participants have requested an extension of the exemptive relief.

III. Discussion

The Commission finds that extending the operation of the Plan is consistent with the requirements of the Act and the rules and regulations thereunder, and, in particular, Section

⁷ 17 CFR 242.608(c). Commission Rule 608(c) requires a self-regulatory organization participant of national market system plan to comply with the terms of that plan.

⁸ See Securities Exchange Act Release No. 46139 (June 28, 2001), 67 FR 44888 (July 5, 2002) ("13th Amendment Notice").

⁹ See Securities Exchange Act Release No. 43863 (January 19, 2001), 66 FR 8020 (January 26, 2001).

¹⁰ 17 CFR 242.608.

¹¹ 17 CFR 242.608(e).

¹² 17 CFR 242.608(c).

¹³ On March 15, 2001, the Nasdaq Stock Market, Inc. ("Nasdaq") submitted to the Commission a Form 1 application pursuant to Section 6 of the Act, seeking registration as a national securities exchange. The most recent Form 1 and accompanying amendments were published for comment. See Securities Exchange Act Release No. 52559 (October 4, 2005), 70 FR 59097 (October 11, 2005).

12(f)¹⁴ and Section 11A(a)(1)¹⁵ of the Act and Rules 601 and 608 thereunder.¹⁶ Section 11A of the Act directs the Commission to facilitate the development of a national market system for securities, "having due regard for the public interest, the protection of investors, and the maintenance of fair and orderly markets," and cites as an objective of that system the "fair competition. . . between exchange markets and markets other than exchange markets."¹⁷ When the Commission first approved the Plan on a pilot basis, it found that the Plan "should enhance market efficiency and fair competition, avoid investor confusion, and facilitate surveillance of concurrent exchange and OTC trading."¹⁸ The Plan has been in existence since 1990 and Participants have been trading Nasdaq securities under the Plan since 1993.

The Commission finds that extending the operation of the Plan through summary effectiveness furthers the goals described above by preventing the lapse of the sole effective transaction reporting plan for Nasdaq securities traded by exchanges pursuant to unlisted trading privileges. The Commission believes that the Plan is currently a critical component of the national market system and that the Plan's expiration would have a serious, detrimental impact on the further development of the national market system.

¹⁴ 15 U.S.C. 78l(f). The Commission finds that extending the Plan is consistent with fair and orderly markets, the protection of investors and the public interest, and otherwise in furtherance of the purposes of the Act. The Commission has taken into account the public trading activity in securities traded pursuant to the Plan, the character of the trading, the impact of the trading of such securities on existing markets, and the desirability of removing impediments to, and the progress that has been made toward the development of a national market system.

¹⁵ 15 U.S.C. 78k-1(a)(1).

¹⁶ 17 CFR 242.601 and 17 CFR 242.608.

¹⁷ 15 U.S.C. 78k-1(a).

¹⁸ See Securities Exchange Act Release No. 28146 (June 26, 1990), 55 FR 27917 (July 6, 1990).

The Commission also finds that it is appropriate to grant summary effectiveness to the request to extend the exemption under Rule 608(e)¹⁹ from compliance with Section VI.C.1. of the Plan as required by Rule 608(c).²⁰ The Commission believes that the Plan is a critical component of the national market system and that the requested exemptive relief is necessary to assure the effective operation of the Plan. The Commission believes that the requested exemptive relief extension is consistent with the Act, the Rules thereunder, and, specifically, with the objectives set forth in Sections 12(f) and 11A of the Act²¹ and Rules 601 and 608 thereunder.²²

IV. Solicitation of Comments

The Commission seeks general comments on the extension of the operation of the Plan and the extension of exemptive relief. Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number S7-24-89 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-9303.

¹⁹ 17 CFR 242.608(e).

²⁰ 17 CFR 242.608(c).

²¹ 15 U.S.C. 78l(f) and 15 U.S.C. 78k-1.

²² 17 CFR 242.601 and 17 CFR 242.608.

All submissions should refer to File Number S7-24-89. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). 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 the filing also will be available for inspection and copying at the Office of the Secretary of the Committee, currently located at the Pacific Exchange, Inc. and Archipelago Exchange L.L.C., 100 South Wacker Drive, Suite 2000, Chicago, IL 60606. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number S7-24-89 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Sections 12(f) and 11A of the Act²³ and paragraph (b)(4) of Rule 608 thereunder,²⁴ that the operation of the Plan, as modified by all changes previously approved, be, and hereby is, extended, and that certain exemptive relief also be extended, both for a period not to exceed 120 days from the date of publication of this Date Extension in the Federal Register.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁵

Jonathan G. Katz
Secretary

²³ 15 U.S.C. 78(f) and 15 U.S.C. 78k-1.

²⁴ 17 CFR 242.608(b)(4).

²⁵ 17 CFR 200.30-3(a)(27).