

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 filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to SR-NASD-99-04 and should be submitted by February 12, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45264; File No. SR-NASD-2001-87]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Relating to Computer to Computer Interface Fees

January 10, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 10, 2002,<sup>3</sup> the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. Nasdaq filed the proposal as one establishing or changing a due, fee or other charge imposed by

the self-regulatory organization under Section 19(b)(3)(A)(ii) of the Act,<sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The proposed rule change increases the fee assessed on NASD members that continue to use the x.25 Computer-to-Computer Interface ("CTCI") to access Nasdaq services rather than transitioning to the Transmission Control Protocol/Internet Protocol ("TCP/IP") CTCL.

The text of the proposed rule change is set forth below. New text is italicized. Deleted text is bracketed.

#### Rule 7010. System Services

(a)-(l) No change.

(f)(1)-(2) No change.

(3) The following charges shall apply for each CTCI subscriber.

Options	Price
Option 1: Dual 56kb lines (one for redundancy) and single hub and router .....	\$1275/month.
Option 2: Dual 56kb lines (one for redundancy), dual hubs (one for redundancy), and dual routers (one for redundancy).	1600/month.
Option 3: Dual T1 lines (one for redundancy), dual hubs (one for redundancy), and dual routers (one for redundancy), includes base bandwidth of 128kb.	8000/month.
Disaster Recovery Option: Single 56kb line with single hub and router (for remote disaster recovery sites only).	975/month.
Bandwidth Enhancement Fee (for T1 subscribers only) .....	4000/month per 64kb increase above 128kb T1 base.
Installation Fee .....	2000 per site for dual hubs and routers.
	1000 per site for single hub and router.
Relocation Fee (for the movement of TCP/IP Lines within a single location) .....	1700 per relocation.

(g)-(q) No change.

*\*As reflected in SR-NASD-00-80 and SR-NASD-00-81, x.25 CTCI circuits are being replaced with TCP/IP CTCI circuits. Pursuant to SR-NASD-2001-87, the fee for x.25 CTCI circuits, which has remained \$200 per month per circuit—is increased to \$1,275 per month per circuit; until the date of the termination of such circuits.*

In prior rule filings, Nasdaq established the fees to be charged for TCP/IP CTCI linkages, which are now

reflected in NASD Rule 7010(f)(3).<sup>5</sup> In those filings, Nasdaq indicated that it would impose TCP/IP fees on a rolling basis on NASD members as they converted to TCP/IP CTCI linkages. Accordingly, Nasdaq has continued to charge the previous CTCI fee of \$200 per month per CTCI circuit to NASD members that have continued to use x.25 CTCI circuits. In this filing, Nasdaq is increasing the monthly charge to \$1,275 per circuit.<sup>6</sup> Nasdaq plans to

assess the new fee during the months of February and March 2002 and to terminate remaining x.25 CTCI circuits at the end of March, although both the date for implementing the new fee and the date for terminating x.25 CTCI circuits are subject to adjustment.<sup>7</sup> Nasdaq has provided and will continue to provide notice to market participants of these dates through Nasdaq Trader.com alerts, direct mail, and telephone calls to NASD members that

<sup>11</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> On January 10, 2002, the Commission received a letter from the NASD containing the rule text of the proposed rule filing. The proposed rule change is treated as filed on the date that the letter was received. See letter from John Yetter, Assistant General Counsel, Nasdaq, to Katherine England, Assistant Director, Division of Market Regulation ("Division"), Commission, dated January 8, 2002.

<sup>4</sup> 15 U.S.C. 78s(3)(A)(ii).

<sup>5</sup> See Securities Exchange Act Release No. 43821 (Jan. 8, 2001), 66 FR 3627 (Jan. 16, 2001); Securities Exchange Act Release No. 43815 (Jan. 8, 2001), 66 FR 3625 (Jan. 16, 2001); and Securities Exchange Act Release No. 44144 (Apr. 2, 2001), 66 FR 18332 (Apr. 6, 2001).

<sup>6</sup> The increase will not be imposed, however, on members that use x.25 CTCI circuits solely for the purpose of accessing the Fixed Income Pricing System, which is scheduled to be replaced by a new corporate bond trade reporting and transaction

dissemination facility known as TRACE in 2002. See Securities Exchange Act Release No. 43873 (Jan. 23, 2001), 66 FR 8131 (Jan. 29, 2001).

<sup>7</sup> Nasdaq has indicated that those members utilizing the remaining x.25 CTCI circuits will be unable to link to the CTCI system at the end of March. Nasdaq does not foresee any circumstances that would cause it to adjust the date of termination of the x.25 CTCI circuits at this time. January 3, 2002 telephone conversation between John Yetter, Assistant General Counsel, Nasdaq, and John Riedel, Staff Attorney, Division, Commission.

have not yet converted to TCP/IP CTCI linkages, and will notify the Commission via letter if there is any change in these dates.

## 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 comments it received on the proposed rule change. The text of these statements may be examined in the places specified in Items IV below. Nasdaq has prepared summaries, set forth below in Sections A, B, and C, of the most significant aspects of such statements.

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

#### 1. Purpose

Nasdaq's CTCI network is a point-to-point dedicated circuit connection from the premises of brokerages and service providers to Nasdaq's Trumbull Connecticut processing facilities. Through CTCI, firms are able to enter trade reports to Nasdaq's Automated Confirmation Transaction Service ("ACT") and orders to Nasdaq's Small Order Execution ("SOES") and SuperSOES systems. CTCI also processes SelectNet transaction confirmation reports.

In response to numerous requests from market participants that Nasdaq upgrade the speed and reliability of its CTCI data transmission environment, Nasdaq began the process last year of "sunsetting" its CTCI x.25/bisynch network in favor of a new network that provides greater capacity and a more efficient transmission protocol. The CTCI x.25/bisynch network can only transmit data up to 19.2 kilobits per second ("kb"). The new CTCI network operates over the Enterprise Wide Network II ("EWIN II") and provides connectivity over more powerful 56kb and T1 data lines. In addition, the new CTCI network uses the industry-standard TCP/IP transmission protocol, a protocol that is robust, efficient, and well known among the technical community. In order to take advantage of the new CTCI network, users are required to upgrade their current x.25/19.2kb lines to either 56kb or T1 lines.

Although the conversion process has been underway since January of this year, as of late November, 295 x.25 CTCI circuits held by 60 firms remained active. Nasdaq is urging NASD members

that still rely upon these outmoded connections to complete their conversions as soon as possible. Nasdaq believes that charging a higher price to NASD members that have failed to convert will provide them with a financial incentive to complete their conversions in a timely fashion and thereby assist Nasdaq in achieving its goal of terminating this almost obsolete network. Moreover, Nasdaq believes that as more and more users convert to TCP/IP, Nasdaq's per circuit cost of continuing to offer the x.25 CTCI connections increases. Since the x.25 CTCI network is provisioned to support over 600 circuits, Nasdaq believes that it is appropriate to pass through the expense of that network to those firms that have failed to transition. Nasdaq believes that the fee increase, together with continued transition support from Nasdaq staff, will allow Nasdaq to "sunset" the x.25 CTCI network on March 31, 2002 (or sooner if all x.25 CTCI subscribers have transitioned prior to that date).

#### 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the Act, including Section 15A(b)(5) of the Act,<sup>8</sup> which requires that the rules of the NASD provide for the 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.

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

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

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

Nasdaq has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule is one establishing or changing a due, fee or other charge change and thus has become effective pursuant to Section 19(b)(3) of the Act<sup>9</sup> and subparagraph (f) of Securities Exchange Act Rule 19b-4.<sup>10</sup> At any time

within 60 days of the filing of a rule change pursuant to Section 19(b)(3)(A) of the Act, the Commission may summarily abrogate the rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submission 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 filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD 2001-87 and should be submitted by February 12, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## SMALL BUSINESS ADMINISTRATION

### [Declaration of Disaster #3383]

### State of Mississippi; Amendment #2

In accordance with information received from the Federal Emergency Management Agency, dated January 10, 2002, the above-numbered Declaration is hereby amended to include Coahoma and Tallahatchie Counties in the State of Mississippi as a disaster area due to damages caused by severe storms, tornadoes, and flooding and to establish the incident period for this disaster as beginning on November 24, 2001 and continuing through December 17, 2001.

<sup>8</sup> 15 U.S.C. 78o-3(b)(5).

<sup>9</sup> 15 U.S.C. 768s(b)(3).

<sup>10</sup> 17 CFR 240.19b-4(f).

<sup>11</sup> 17 CFR 200.30-3(a)(12).