

the RRB that a student has ceased full-time school attendance. Completion is required to obtain or retain a benefit. One response is requested of each respondent.

The RRB proposes no changes to Form G-315, G-315a, or G-315a.1. The completion time for the G-315 is estimated at seven minutes per response. The completion time for the G-315a and G-315a.1 is estimated at two minutes. The RRB estimates that approximately 960 Form G-315's, 210 Form G-315a's and 60 Form G-315a.1's are received annually.

Additional Information or Comments: To request more information or to obtain a copy of the information collection justification, forms, and/or supporting material, please call the RRB Clearance Officer at (312) 751-3363. Comments regarding the information collection should be addressed to Ronald J. Hodapp, Railroad Retirement Board, 844 North Rush Street, Chicago, Illinois 60611-2092. Written comments should be received within 60 days of this notice.

Chuck Mierzwa,
Clearance Officer.

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BILLING CODE 7905-01-M

RAILROAD RETIREMENT BOARD

Determination of Quarterly Rate of Excise Tax for Railroad Retirement Supplemental Annuity Program

In accordance with directions in Section 3221(c) of the Railroad Retirement Tax Act (26 U.S.C., Section 3221(c)), the Railroad Retirement Board has determined that the excise tax imposed by such Section 3221(c) on every employer, with respect to having individuals in his employ, for each work-hour for which compensation is paid by such employer for services rendered to him during the quarter beginning July 1, 2000, shall be at the rate of 26½ cents.

In accordance with directions in Section 15(a) of the Railroad Retirement Act of 1974, the Railroad Retirement Board has determined that for the quarter beginning July 1, 2000, 37.7 percent of the taxes collected under Sections 3211(b) and 3221(c) of the Railroad Retirement Tax Act shall be credited to the Railroad Retirement Account and 62.3 percent of the taxes collected under such Sections 3211(b) and 3221(c) plus 100 percent of the taxes collected under Section 3221(d) of the Railroad Retirement Tax Act shall be credited to the Railroad Retirement Supplemental Account.

Dated: June 1, 2000.
By Authority of the Board.

Beatrice Ezerski,

Secretary to the Board.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42896; File No. SR-NASD-00-18]

Self-Regulatory Organizations; Order Granting Accelerated Approval of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Entry of Locking/Crossing Quotations Prior to the Nasdaq Market Opening

June 2, 2000.

Introduction

On April 13, 2000, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary, the Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(91) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change relating to the entry of locking/crossing quotations prior to the Nasdaq market opening. On April 18, 2000, the NASD submitted Amendment No. 1 to the proposal. The proposed rule change and Amendment No. 1 were published for comment in the **Federal Register** on May 10, 2000.³ The Commission received one comment regarding this proposal.⁴ This order approves the proposed rule change, as amended.

II. Description of the Proposal

Currently, under NASD Rule 4613(e) if a market participant locks/crosses the market between 9:20 a.m. and 9:29:59 a.m. Eastern Time, the market participant must send the market maker(s) or ECN(s) being locked/crossed, a SelectNet® message that has appended to it a "TRD OR MOV" administrative message ("Trade-or-Move Message").⁵ The aggregate size of these Trade-or-Move Messages must be

at least 5,000 shares. Thus, in order to lock/cross the market during this 10 minute period before the market opens, a market participant must send a Trade-or-Move Message for 5,000 shares and be willing to trade at least this amount. The party being locked or crossed must respond to the Trade-or-Move Message within 30 seconds by trading with the incoming message or moving its quotation to a price level that resolves the locked/crossed market.⁶

Nasdaq proposes to amend NASD Rule 4613(e), to permit market participants, when representing agency interests, to lock/cross the market at the actual size of the agency order, instead of 5,000 shares as currently required by rule. Under the proposal, if between 9:20 a.m. and 9:29:59 a.m. a market participant receives an agency order that would lock/cross the market, the market participant may lock/cross the market and send a Trade-or-Move Message for the actual size of the agency order, instead of 5,000 shares.⁷ (For purposes of the amended rule, an agency order would not include an order for the account of a market maker in the issue, but would include orders for individuals, institutions, and broker-dealers who are not market makers in the security at issue.) Market participants whose proprietary quotes lock/cross the market between 9:20 and 9:29:59 a.m., would still be subject to the 5,000 aggregate share size requirement for Trade-or-Move Messages. Thus, if a market participant wishes to lock/cross the market while acting as principal, the market participant must send an aggregate of at least 5,000 shares through a Trade-or-Move Message to the parties being locked/crossed.

III. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the NASD. In particular, the Commission finds that the proposal is consistent with the requirements of Sections 15A(b)(6), 15A(b)(11), and 11A(a)(1)(C) of the Act.⁸

⁶ *Id.*

⁷ This requirement does not apply when the market maker is holding agency interest where there is no understanding with the customer to have its order displayed and/or executed prior to the market's open, and the market maker otherwise is engaging in *bona fide* market making activity during the pre-opening period.

⁸ 15 U.S.C. 78o-3(b)(6), 15 U.S.C. 78o-3(b)(11), and 15 U.S.C. 78k-1(a)(1)(C).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 42754 (May 3, 2000), 65 FR 30167.

⁴ See letter from Cameron Smith, General Counsel, Island ECN, to Jonathan Katz, Secretary, Commission, dated June 1, 2000.

⁵ See Exchange Act Release No. 42400 (February 7, 2000), 65 FR 7407 (February 14, 2000) (order approving File No. SR-NASD-99-23 to amend NASD Rule 4613(e)).

Section 15A(b)(6)⁹ requires that the rules of a registered national securities association be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to, and facilitating transactions in, securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Section 15A(b)(11)¹⁰ requires that the rules of a registered national securities association be designed to produce fair and informative quotations, prevent fictitious or misleading quotations, and to promote orderly procedures for collection, distributing, and publishing quotations. In Section 11A(a)(1)(C),¹¹ Congress found that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure: (1) economically efficient execution of securities transactions; (2) fair competition among brokers and dealers; (3) the availability to brokers, dealers and investors of information with respect to quotations and transactions in securities; (4) the practicability of brokers executing investors' orders in the best market; and (5) an opportunity for investors' orders to be executed without the participation of a dealer.¹²

Specifically, the Commission finds that the proposal is consistent with Sections 15A(b)(6), 15A(b)(11), and 11A(1)(C) of the Act¹³ because it is designed to further reduce the frequency of pre-opening locked and crossed markets, which should help to provide more informative quotation information, facilitate price discovery, and contribute to the maintenance of a fair and orderly market. The proposal will require a market participant to send a Trade-or-Move Message for agency orders that lock or cross the market between 9:20 and 9:29:59 a.m., for the actual size of the agency order, rather than 5,000 shares. Under the proposal, an agency order would not include an order for the account of a market maker in the issue, but would include orders for individuals, institutions, and broker-

dealers who are not market makers in the security at issue. The recipient of a Trade-or-Move Message must respond to that message within 30 seconds of receiving it.

The Commission believes that the Trade-or-Move Message requirement for agency orders may reduce instances of pre-opening locked and crossed markets by providing an effective mechanism for promptly resolving any pre-opening locked or crossed markets that occur. In this regard, the Commission notes that the recipient of a Trade-or-Move Message must respond to the message within 30 seconds by either (1) trading in full with the incoming Trade-or-Move Message; (2) declining to trade with the incoming Trade-or-Move Message and moving its quotation to a price level that unlocks or uncrosses the market; or (3) trading with a portion of the incoming Trade-or-Move Message and moving its quotation to a price level that unlocks or uncrosses the market. By reducing instances of pre-opening locked and crossed markets, and facilitating the prompt resolution of any pre-opening locked or crossed markets that occur, the proposal should help to provide a more orderly opening in Nasdaq securities, to the benefit of all market participants.

The Commission believes, as it has concluded previously,¹⁴ that continued locking and crossing of the market can negatively impact market quality. By helping to reduce the frequency of pre-opening locked and crossed markets, the Commission believes that the proposal should improve market quality and enhance the production of fair and orderly quotations. Accordingly, the Commission believes that the proposal is designed to produce fair and informative quotations, consistent with Section 15A(b)(11),¹⁵ and to remove impediments to and perfect the mechanism of a free and open market and a national market system, consistent with Section 15A(b)(6).¹⁶

In addition, the Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission believes that this proposal, which effectively creates an agency order exception to NASD Rule 4613, could increase market liquidity and transparency by allowing more customers to participate in Nasdaq's

pre-opening market.¹⁷ The Commission notes that this proposal is responsive to concerns raised by certain ECN commenters SR-NASD-99-23 that NASD Rule 4613(e) would disproportionately impact ECNs and limit the participation of ECNs, retail investors, and small broker-dealers in the pre-opening market.¹⁸ The Commission believes that the amendments to NASD Rule 4613(e), which would permit agency orders for quotes of less than 5,000 shares to be appended to a Trade-or-Move Message, should help allay the concerns of ECNs with regard to the application of NASD Rule 4613(e).

Finally, as the Commission noted in approving NASD-99-23,¹⁹ under this proposal ECNs can still handle orders that lock or cross markets in the pre-opening in alternative ways. Specifically, an ECN could (1) reject a locking or crossing order, just as ECNs reject locking or crossing orders during normal trading hours; or (2) trade with the incoming Trade-or-Move Message up to the size of its subscriber's order and decline the remainder of the Trade-or-Move Message.

IV. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act and the rules and regulations thereunder applicable to a national securities association.

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,²⁰ that the

¹⁷ As noted above, the Commission received one comment letter regarding the proposal. The commenter argued that market participants receiving Trade-or-Move Messages would be able to monitor the market so as to selectively execute orders only when market conditions are favorable. The commenter also noted that is not technologically equipped, at present, to implement the proposal. The commenter recommended that Nasdaq address the problem of pre-opening locked and crossed markets by requiring market participants to open firm, pre-opening quotations. See note 4, above.

In response to similar comments on NASD-99-23, the NASD stated that an ECN with an order of less than 5,000 shares that would lock or cross the market could (1) attempt to match the order internally with the order of another subscriber; (2) attempt to fill the order by sending a Select Net message to the market participant(s) it would lock or cross; or (3) wait to accumulate the 5,000 shares and then send a Trade-or-Move Message. In addition, an ECN whose subscriber entered a locking or crossing quotation between 9:20 a.m. and 9:29:59 a.m. could require its subscriber to comply with the Trade-or-Move Message requirement. Nasdaq also noted that an ECN with a pre-opening order that locked or crossed the market could wait until the opening of the market before sending a SelectNet message to the market participants it would lock or cross. See note 5, above.

¹⁸ See note 4, above.

¹⁹ *Id.*

²⁰ 15 U.S.C. 78s(b)(2).

⁹ 15 U.S.C. 78o-3(b)(6).

¹⁰ 15 U.S.C. 78o-3(b)(11).

¹¹ 15 U.S.C. 78k-1(a)(1)(C).

¹² In approving the proposed rule change, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹³ 15 U.S.C. 78o-3(b)(6), 15 U.S.C. 78o-(b)(11), and 15 U.S.C. 78k-1(a)(1)(C).

¹⁴ See Securities Exchange Act Release No. 40455 (September 22, 1998), 63 FR 51978 (September 29, 1998) (order approving File No. SR-NASD-98-01).

¹⁵ 15 U.S.C. 78o-3(b)(11).

¹⁶ 15 U.S.C. 78o-3(b)(6).

proposed rule change (SR-NASD-00-18) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.²¹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-14596 Filed 6-8-00; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42893; File No. SR-NSCC-00-03]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Relating to Processing Government Securities Trades

June 2, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on April 5, 2000, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared primarily by NSCC. The Commission is publishing this notice and order to solicit comments from interested parties and to grant accelerated approval of the proposed rule change.

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

The proposed rule change will allow NSCC to receive government securities trade data from the American Stock Exchange ("AMEX"), process the trade data, and transmit the trade data to the Government Securities Clearing Corporation ("GSCC").

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B)

and (C) below, of the most significant aspects of these statements.²

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

The purpose of the rule change is to amend NSCC's rules and procedures to permit NSCC to: (1) Receive trade data concerning members' government security transactions conducted on the AMEX; (2) record trade information about those transactions on NSCC members' contract lists; and (3) transmit at the request of members the trade information to GSCC for processing.

Specifically, the rule change amends NSCC's rules and procedures as follows:

- The AMEX may submit locked-in trade data for transactions in "eligible government securities" included in the AMEX Order File ("AOF") System to NSCC. NSCC will maintain a list of "eligible government securities" which must be unmatured, marketable debt securities in book-entry form that are direct obligations of the United States Government; securities issued or guaranteed by the United States, a U.S. government agency or instrumentality, or a U.S. government-sponsored corporation; or such other security as determined by NSCC from time to time.³

- The AMEX may submit its trade data throughout trade date ("T") until a time specified by NSCC. The trade data must include quantity, security identification, identification of the marketplace of execution, contra-broker, trade value, and other identifying details that NSCC may require or permit.⁴

- NSCC will report back to members their AOF trade data items, including final contract amount as calculated by NSCC, on the morning of T+1 in a separate section of NSCC's regular way T+1 contract list.⁵

- Unless otherwise processed through GSCC, as described below, the settlement of AFO trade data items will be the responsibility of parties to the trade. Such items will not be settled through the facilities of NSCC.⁶

The rule change permits NSCC to transmit, at the request of members, AOF trade data items to GSCC for processing as follows:⁷

- Each member that would like to settle its AFO trades through GSCC

must complete and deliver to NSCC an authorization agreement.⁸

- NSCC will submit AOF trade data items to GSCC within the timeframes established by NSCC.⁹

NSCC believes that the proposed rule change is consistent with the requirements of the Act,¹⁰ and the rules and regulations thereunder. In particular, the proposed rule change is consistent with section 17A(b)(3)(F) of the Act, which requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, in general, to protect investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NSCC does not believe that the proposed rule change will impact or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments have been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

Section 17A(b)(3)(F)¹¹ of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. For the reasons set forth below, the Commission believes that NSCC's rule change is consistent with this obligation.

The rule change permits NSCC to build upon its existing facilities to receive and process trade data concerning government securities traded through the AMEX's AOF System by NSCC members. After processing this information, NSCC will report back to members trade information relating to their AOF trades. At the request of members who wish to settle these trades through GSCC, NSCC will then transmit trade data to GSCC for processing. By providing this service, NSCC will be facilitating the prompt and accurate clearance and settlement of Amex-traded government securities. Therefore, the Commission finds that the proposed rule change is consistent with NSCC's obligations to promote the prompt and

² The Commission has modified the text of the summaries prepared by NSCC.

³ NSCC Rule 3, Section 10.

⁴ NSCC Procedure 11.D4(a)(ii).

⁵ *Id.* at (iii).

⁶ *Id.* at (iv).

⁷ NSCC Procedure 11.D4(b).

⁸ *Id.* at 4(b)(i).

⁹ *Id.* at 4(b)(ii).

¹⁰ 15 U.S.C. 78q-1.

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).