

Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC.

The filing of requests for hearing and petitions for leave to intervene is discussed below.

By July 17, 2000, the licensee may file a request for a hearing with respect to issuance of the amendment to the subject facility operating license and any person whose interest may be affected by this proceeding and who wishes to participate as a party in the proceeding must file a written request for a hearing and a petition for leave to intervene. Requests for a hearing and a petition for leave to intervene shall be filed in accordance with the Commission's "Rules of Practice for Domestic Licensing Proceedings" in 10 CFR Part 2. Interested persons should consult a current copy of 10 CFR 2.714 which is available at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site (<http://www.nrc.gov>). If a request for a hearing or petition for leave to intervene is filed by the above date, the Commission or an Atomic Safety and Licensing Board, designated by the Commission or by the Chairman of the Atomic Safety and Licensing Board Panel, will rule on the request and/or petition; and the Secretary or the designated Atomic Safety and Licensing Board will issue a notice of hearing or an appropriate order.

As required by 10 CFR 2.714, a petition for leave to intervene shall set forth with particularity the interest of the petitioner in the proceeding, and how that interest may be affected by the results of the proceeding. The petition should specifically explain the reasons why intervention should be permitted with particular reference to the following factors: (1) The nature of the petitioner's right under the Act to be made party to the proceeding; (2) the nature and extent of the petitioner's property, financial, or other interest in the proceeding; and (3) the possible effect of any order which may be entered in the proceeding on the petitioner's interest. The petition should also identify the specific aspect(s) of the subject matter of the proceeding as to which petitioner wishes to intervene. Any person who has filed a petition for leave to intervene or who has been admitted as a party may amend the petition without requesting leave of the Board up to 15 days prior to the first prehearing conference scheduled in the proceeding, but such an amended petition must satisfy the specificity requirements described above.

Not later than 15 days prior to the first prehearing conference scheduled in the proceeding, a petitioner shall file a supplement to the petition to intervene which must include a list of the contentions which are sought to be litigated in the matter. Each contention must consist of a specific statement of the issue of law or fact to be raised or controverted. In addition, the petitioner shall provide a brief explanation of the bases of the contention and a concise statement of the alleged facts or expert opinion which support the contention and on which the petitioner intends to rely in proving the contention at the hearing. The petitioner must also provide references to those specific sources and documents of which the petitioner is aware and on which the petitioner intends to rely to establish those facts or expert opinion. Petitioner must provide sufficient information to show that a genuine dispute exists with the applicant on a material issue of law or fact. Contentions shall be limited to matters within the scope of the amendment under consideration. The contention must be one which, if proven, would entitle the petitioner to relief. A petitioner who fails to file such a supplement which satisfies these requirements with respect to at least one contention will not be permitted to participate as a party.

Those permitted to intervene become parties to the proceeding, subject to any limitations in the order granting leave to intervene, and have the opportunity to participate fully in the conduct of the hearing, including the opportunity to present evidence and cross-examine witnesses.

If a hearing is requested, the Commission will make a final determination on the issue of no significant hazards consideration. The final determination will serve to decide when the hearing is held.

If the final determination is that the amendment request involves no significant hazards consideration, the Commission may issue the amendment and make it immediately effective, notwithstanding the request for a hearing. Any hearing held would take place after issuance of the amendment.

If the final determination is that the amendment request involves a significant hazards consideration, any hearing held would take place before the issuance of any amendment.

A request for a hearing or a petition for leave to intervene must be filed with the Secretary of the Commission, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, Attention: Rulemakings and Adjudications Staff, or may be delivered to the Commission's

Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, by the above date. A copy of the petition should also be sent to the Office of the General Counsel, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, and to Mark J. Wetterhahn, Esquire, Winston & Strawn, 1400 L Street, NW., Washington, DC 20005-3502, attorney for the licensee.

Nontimely filings of petitions for leave to intervene, amended petitions, supplemental petitions and/or requests for hearing will not be entertained absent a determination by the Commission, the presiding officer or the presiding Atomic Safety and Licensing Board that the petition and/or request should be granted based upon a balancing of the factors specified in 10 CFR 2.714(a)(1)(i)-(v) and 2.714(d).

For further details with respect to this action, see the application for amendment dated June 7, 2000, which is available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site (<http://www.nrc.gov>).

Dated at Rockville, Maryland, this 13th day of June 2000.

For the Nuclear Regulatory Commission.

**Peter S. Tam,**

*Senior Project Manager, Section 1, Project Directorate I, Division of Licensing Project Management, Office of Nuclear Reactor Regulation.*

[FR Doc. 00-15269 Filed 6-15-00; 8:45 am]

BILLING CODE 7590-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42908; File No. SR-NASD-00-22]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Limit Order Protection for OTC Bulletin Board Securities

June 7, 2000.

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 April 19, 2000, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, the Nasdaq Stock

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

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

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. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Nasdaq is proposing a new Rule 6541 to implement a pilot program specifically prohibiting member firms from trading ahead of customer limit orders in designated OTC Bulletin Board ("OTCBB") securities. Below is the text of the proposed rule change. Proposed new language is in *italics*.

#### 6541. Limit Order Protection

(a) *Members shall be prohibited from "trading ahead" of customer limit orders that a member accepts in securities quoted on the OTCBB. Members handling customer limit orders, whether received from their own customers or from another member, are prohibited from trading at prices equal or superior to that of the customer limit order without executing the limit order. Members are under no obligation to accept limit orders from any customer.*

(b) *Notwithstanding subparagraph (a) of this rule, a member may negotiate specific terms and conditions applicable to the acceptance of limit orders only with respect to such orders that are:*

(1) *for customer accounts that meet the definition of an "institutional account" as that term is defined in Rule 3110(c)(4); or*

(2) *for 10,000 shares or more, and greater than \$20,000 in value.*

(c) *Contemporaneous trades*

*A member that trades through a held limit order must execute such limit order contemporaneously, or as soon as practicable, but in no case later than five minutes after the member has traded at a price more favorable than the customer's price.*

(d) *Application*

(1) *This rule shall apply only to OTCBB securities specifically identified as such through the Nasdaq Workstation service.*

(2) *This rule shall apply, regardless of whether the subject security is additionally quoted in a separate quotation medium.*

(3) *This rule shall apply from 9:30 a.m. to 4:00 p.m. Eastern Time.*

(4) *This rule shall be in effect until [12 months from date of Commission approval].*

### 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 Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

*Background.* NASD IM-2110-2 (commonly known as the "Manning Rule") was adopted in 1994<sup>3</sup> and further amended in 1995<sup>4</sup> to prohibit NASD member firms from trading ahead of customer limit orders in Nasdaq securities. The impetus for this rule was a case brought several years earlier by a customer of a member firm, William Manning, who alleged that the firm had accepted his limit order, failed to execute it, and violated its fiduciary duties to him by trading ahead of the order. In the *Manning* decision, the NASD found and the SEC affirmed that a member firm, upon acceptance of a customer's limit order, undertakes a fiduciary duty and cannot trade for its own account at prices more favorable than the customer's order.<sup>5</sup> In the wake of this decision, however, members continued to trade ahead of customer limit order provided the practice was fully disclosed to the customer.

Through adoption of IM-2110-2, the NASD effectively eliminated the disclosure "safe-harbor" that developed after the *Manning* decision for all securities listed on Nasdaq. In proposing the interpretation, the Nasdaq recognized the growing importance of Nasdaq as a major equity market and noted that such a rule would enhance the image of the market by creating a more equitable, fair, and accessible market for all investors. Indeed, although the Manning Rule does not

explicitly apply to OTCBB issues, it has always been the position of NASD and Nasdaq that a member owes a duty of best execution to all accepted customer orders.

Nasdaq now believes that it is appropriate to employ this same rationale in applying limit order protection to the OTCBB.<sup>6</sup> Over the past six years, the OTCBB has evolved into a marketplace for numerous securities, with market makers providing real-time quotations available for reviewing by other market participants.<sup>7</sup> In 1994, the average daily volume in all OTCBB securities was approximately 28.5 million shares, a number that grew to more than 300 million shares per day in 1999. OTCBB trading volume in February 2000 averaged more than 1.2 billion shares per day.<sup>8</sup>

As a result of this increase in trading volume, the OTCBB has become a more open and transparent market in which investors can obtain considerable information regarding the quoted issuers. For instance, by July 2000, all issuers quoted on the OTCBB will be required to provide updated financial information to the Commission, or to banking or insurance regulators, on a periodic basis.<sup>9</sup> The accessibility of this disclosure information, along with last-sale information available through the Internet, has provided the retail investor with additional tools to make educated investment decisions regarding many formerly obscure OTCBB issuers.

In short, the OTCBB is far different today than it was at its inception ten years ago. In light of these notable changes, the increased retail participation, and the continuous efforts by Nasdaq and the NASD to provide fair

<sup>6</sup> The OTCBB, unlike Nasdaq, is a quotation medium for subscribing NASD members, not an issuer listing service. OTCBB securities are traded by market makers that enter quotes and trade reports through a sophisticated, closed computer network, which is accessed through the Nasdaq Workstation II. The OTCBB differs from Nasdaq in several ways; for example, the OTCBB does not maintain relationships with quoted issuers or impose quantitative listing standards. Also, the OTCBB also has different quotation obligations and does not currently provide a method for automated trade executions.

<sup>7</sup> All priced market maker quotations entered into the service are required to be firm up to a minimum size. However, market makers may still enter unpriced indications of interest in the OTCBB. See NASD Rules 6540 and 6750.

<sup>8</sup> By comparison, during the same month, Nasdaq averaged over 1.8 billion shares per day, while the New York Stock Exchange averaged 1.06 billion share per day.

<sup>9</sup> This requirement was effective immediately for all issuers initiating quotation on the OTCBB after January 4, 1999. All issuers quoted on the OTCBB as of that date were required to comply with the rule on a phased-in basis, beginning in July 1999 and ending in June 2000. See Exchange Act Release No. 40878 (Jan. 4, 1999), 64 FR 1255 (Jan. 8, 1999).

<sup>3</sup> See Exchange Act Release No. 34279 (June 29, 1994), 59 FR 34883 (July 7, 1994).

<sup>4</sup> See Exchange Act Release No. 35751 (May 22, 1995), 60 FR 27997 (May 26, 1995).

<sup>5</sup> See *In re E.F. Hutton & Co.*, Exchange Act Release No. 25887 (July 6, 1998).

and efficient markets for all investors, Nasdaq now proposes to extend limit order protection to investors of OTCBB securities.

**Proposed Pilot Program.** Nasdaq proposes to institute a 12-month pilot program that will apply limit order protection to a select subset of OTCBB securities.<sup>10</sup> Nasdaq will monitor the progress of this rule and its effect on the market throughout the entire period. Prior to the completion of this pilot, Nasdaq will evaluate the impact of the proposed rule and report its findings to the Commission and, thereafter, determine the appropriate course of action.

Nasdaq intends to examine the effects of the proposed rule by applying it to approximately 325 OTCBB securities.<sup>11</sup> Securities subject to the proposed rule will be positively designated as such through the Nasdaq Workstation II.<sup>12</sup> Nasdaq will select as one sample set the 200 most actively traded OTCBB securities, which will be selected on the basis of specific price and volume parameters. An additional 100 securities will be selected as a representative cross-section of all remaining OTCBB securities, therein providing an opportunity to test the effects of this rule upon the wide variety of securities quoted on the OTCBB. The implementation of the proposed rule upon these 300 securities would be phased in over a period of several weeks, beginning with the top 200 actively traded securities, then proceeding to the 100 representative cross-section securities. This phase-in process is intended to protect against any unanticipated or deleterious effect that could occur through an immediate application to all securities.

The remaining 25 securities would consist of selected securities added to the OTCBB after the initial phase-in period had been completed. This additional allowance is intended to provide Nasdaq with the flexibility to

impose the proposed rule upon securities that necessitate its protections. It is expected that these securities, which would be selected by Nasdaq on a case-by-case basis, would be those that are highly liquid and widely held by retail investors. The securities expected to be included in this category are those that have been delisted from Nasdaq or an exchange and start trading on the OTCBB.

Application of the proposed rule is intended to substantially mirror IM-2110-2, although some minor modifications, discussed below, have been afforded due to the distinction between Nasdaq and the OTCBB. While members will be under no obligation to accept limit orders, those willing to do so would be prohibited from trading at prices equal or superior to any held customer limit orders, regardless of whether those orders are from their own customers or from customers of firms who have routed those orders to the member for execution.<sup>13</sup> This rule would apply even to those members who, in the past, have fully disclosed to their customers that they may trade ahead of customer limit orders.

As with IM-2110-2, Nasdaq recognizes that filling institutional-sized orders involves differing trading strategies and risks, and that an application of limit order protection to all orders could prove unduly burdensome to those members willing to accept institutional orders. For that reason, Nasdaq has determined that the member may apply terms and conditions concerning limit order protection when accepting an institutional-sized order<sup>14</sup> or an order from an institutional account.<sup>15</sup>

An additional distinction in the application of limit order protection to OTCBB securities will be the time interval allocated for "contemporaneous" executions. In Nasdaq securities, a member is not deemed to have traded ahead of a customer limit order if the member provides a contemporaneous execution of the customer's order.

"Contemporaneous" has been interpreted by Nasdaq to require an execution as quickly as possible, but absent reasonable and documental justification, within one minute.<sup>16</sup> This interpretation recognizes that additional time beyond the one minute provision may be necessary during unusual market conditions (e.g., at the opening or upon the commencement of trading following a trading halt or an initial public offering), provided that the member has taken all reasonable steps to execute the trade as soon as possible.<sup>17</sup>

Unlike Nasdaq, in which trades may be executed or delivered through automated means, the OTCBB service provides no means of automated communication. Participants in OTCBB securities are generally required to contact each other via telephone, a time consuming process that can prove especially burdensome during periods of high trade volume. Recognizing this distinction, Nasdaq proposes to require a "contemporaneous" trade to be executed as quickly as possible, but no later than five minutes after becoming marketable. If market conditions or other circumstances cause the member to exceed this five-minute requirement, the member should continue to attempt to execute the order as quickly as possible, while sufficiently documenting the particular conditions or circumstances causing this delay. Nasdaq will study this provision and modify it as appropriate at the conclusion of this pilot.

This rule will apply only during normal market hours of 9:30 a.m. to 4:00 p.m. Although the OTCBB service is available from 7:30 a.m. to 6:30 p.m., prices on the OTCBB are required to be firm only during the normal market hours. The hours of application of this rule would adjust accordingly on days in which normal market hours are shortened due to holidays or other events.

## 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act<sup>18</sup> which requires, among other things, that the Association's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The new rule would ensure the protection of investor's limit orders, enhance the

<sup>10</sup> Although the proposed rule will specifically apply only to selected securities during the pilot program, general duties of best execution will continue to apply to all customer orders in all securities.

<sup>11</sup> This number represents roughly 10 percent of the total number of securities expected to remain on the OTCBB upon the completed implementation of Rule 6530. See *supra* note 10. For OTCBB securities that are not included in the pilot, members may trade ahead of customer limit orders if full and clear disclosure regarding this practice is provided to the customer.

<sup>12</sup> Nasdaq currently intends to display the identifier "##" following the security name denoting it as among the securities to which the proposed rule would be applicable. This same method of identification was utilized successfully by Nasdaq in designating securities subject to the SEC Order Handling Rules during their initial phase-in period.

<sup>13</sup> Order entry firms that forward customer orders to dealers for execution would continue to be subject to their duties of best execution and would owe a fiduciary duty to those orders. Accordingly, firms should routinely monitor the handling of their customer limit orders to ensure that the executing broker is complying with the provisions of this rule.

<sup>14</sup> Member firms may impose terms and conditions in the case of limit orders involving at least 10,000 shares and having a value greater than \$20,000. The corresponding thresholds for IM-2110-2 are 10,000 shares and \$100,000. The distinction in price is due to the relatively lower share prices of OTCBB securities. Nasdaq will study this limit as part of the pilot period analysis and adjust it as appropriate if deemed necessary.

<sup>15</sup> This term is defined in NASD Rule 3110(c)(4).

<sup>16</sup> See NASD Notice to Members 95-67.

<sup>17</sup> See NASD Notice to Members 98-78.

<sup>18</sup> 15 U.S.C. 78o-3(b)(6).

quality of trading on the OTCBB, and significantly reduce the potential for unfair discrimination, real or perceived, of customer orders.

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

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

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

Written comments were neither solicited nor received.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) As the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding, or (ii) as to which the NASD consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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 No. SR-NASD-00-22 and should be submitted by July 7, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>19</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-15242 Filed 6-15-00; 8:45 am]

**BILLING CODE 8010-01-M**

**SMALL BUSINESS ADMINISTRATION**

**[Declaration of Disaster #3260]**

**Commonwealth of Kentucky**

Grayson County and the contiguous counties of Breckinridge, Butler, Edmonson, Hardin, Hart, and Ohio in the Commonwealth of Kentucky constitute a disaster area due to damages caused by severe storms and tornadoes that occurred on May 23, 2000. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on August 3, 2000 and for economic injury until the close of business on March 5, 2001 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta, GA 30308.

The interest rates are:

	Percent
<i>For Physical Damage:</i>	
HOMEOWNERS WITH CREDIT AVAILABLE ELSEWHERE .....	7.375
HOMEOWNERS WITHOUT CREDIT AVAILABLE ELSEWHERE .....	3.687
BUSINESSES WITH CREDIT AVAILABLE ELSEWHERE .....	8.000
BUSINESSES AND NON-PROFIT ORGANIZATIONS WITHOUT CREDIT AVAILABLE ELSEWHERE .....	4.000
OTHERS (INCLUDING NON-PROFIT ORGANIZATIONS) WITH CREDIT AVAILABLE ELSEWHERE .....	6.750
<i>For Economic Injury:</i>	
BUSINESSES AND SMALL AGRICULTURAL COOPERATIVES WITHOUT CREDIT AVAILABLE ELSEWHERE .....	4.000

The numbers assigned to this disaster are 326012 for physical damage and 9H4700 for economic injury.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: June 7, 2000.

**Kris Swedin,**

*Acting Administrator.*

[FR Doc. 00-15284 Filed 6-15-00; 8:45 am]

**BILLING CODE 8025-01-P**

**SMALL BUSINESS ADMINISTRATION**

**[Declaration of Disaster #3262]**

**State of North Carolina**

Alamance County and the contiguous counties of Caswell, Chatham, Guilford, Orange, Randolph, and Rockingham in the State of North Carolina constitute a

<sup>19</sup> 17 CFR 200.30-3(a)(12).