



**Eric Van Allen**  
Assistant General Counsel

January 6, 2004

**BY FAX AND EXPRESS MAIL**

Nancy Sanow, Esq.  
Assistant Director  
Division of Market Regulation  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: **SR Amex 2004-01**  
**Pursuant to Rule 19b-4 of the**  
**Securities Exchange Act 1934**

Dear Ms. Sanow:

Enclosed for filing pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934 (the "Act") and Rule 19b-4 are 12 copies of a proposed rule change to: (1) amend paragraph (j) of Amex Rule 118, which details the Exchange's odd-lot execution procedures for transactions in Nasdaq securities, and (2) adopt the odd-lot execution procedures on a permanent basis.

By way of background, on August 2, 2002, the Commission approved on a pilot program basis the Exchange's proposed rule change establishing odd-lot execution procedures for Nasdaq securities transacted on the Exchange pursuant to unlisted trading privileges.<sup>1</sup> The pilot program was later extended for a six-month period ending December 27, 2003.<sup>2</sup> On November 20, 2003, pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6), the Exchange filed SR-Amex-2003-102 to: (1) correct discrepancies in the Exchange's odd-lot execution procedures; and (2) extend the odd-lot pilot program through June 27, 2004.

In this proposed rule change, the Exchange proposes certain amendments to paragraph (j) of Amex Rule 118 that correspond with an upgrade to Amex trading systems, currently scheduled for January 26, 2004. As part of this system upgrade, the Exchange's odd-lot execution procedures for Nasdaq securities will be enhanced to increase instances where such orders receive automatic execution. In addition, as mentioned above, the Exchange seeks to adopt the proposed odd-lot execution procedures on a permanent basis.

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<sup>1</sup> See SR-Amex-2002-56, Release No. 34-46304 dated August 2, 2002.

<sup>2</sup> See SR-Amex-2003-56, Release No. 34-48174 dated July 14, 2003.

Enclosed please find a 3 ½ inch disk containing the filing in MSWord 7.0 to facilitate production of the **Federal Register** notice. Please call me at (212) 306-1252 should you have any questions or comments.

Sincerely,

cc: Katherine England  
Cyndi Rodriguez  
Ann Leddy

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 19b-4**

**Proposed Rule Change**

**by**

**AMERICAN STOCK EXCHANGE LLC**

**Pursuant to Rule 19b-4 Under the  
Securities Exchange Act of 1934**

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**1. Text of the Proposed Rule Change**

(a) The American Stock Exchange LLC (the “Amex” or the “Exchange”) proposes to amend paragraph (j) of Amex Rule 118, which governs the Exchange’s pilot program for odd-lot order executions in Nasdaq securities, and to adopt on a permanent basis paragraph (j) of Amex Rule 118, as proposed herein, and Commentary .05 to Amex Rule 205. The text of the proposed rule change is attached hereto as Exhibit A.

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

(a) The proposed rule change was approved by the Exchange’s Board of Governors on May 22, 2003. No further action by the Board or the membership of the Exchange is required.

(b) The following Exchange staff member is prepared to respond to questions and comments on the proposed rule change:

Eric P. Van Allen  
Assistant General Counsel  
(212) 306-1252

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

(a) Purpose

The Exchange implemented, on a pilot program basis, procedures for odd-lot order executions in Nasdaq securities transacted on the Exchange pursuant to unlisted trading privileges.<sup>1</sup> Paragraph (j) of Amex Rule 118 (“Trading in Nasdaq National Market Securities”)

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<sup>1</sup> On August 2, 2002, the original odd-lot execution procedures were approved on a pilot program basis. See SR-Amex-2002-56, Release No. 34-46304 dated August 2, 2002. The pilot program was later extended for a six-month period ending December 27, 2003. See SR-Amex-2003-56, Release No. 34-48174 dated July 14, 2003. On November 20, 2003, pursuant to Section 19(b)(3)(A) and Rule 19b-4(f)(6), the Exchange filed SR-Amex-2003-102, a proposed rule change to amend paragraph (j) of Amex Rule 118 and to extend the pilot program through June 27, 2004.

describes the Exchange's odd-lot execution procedures and Commentary.05 to Amex Rule 205 ("Manner of Executing Odd-Lot Orders") references Rule 118(j) odd-lot procedures. In this proposed rule change, the Exchange proposes to amend paragraph (j) of Amex Rule 118 to reflect modifications to odd-lot order execution procedures currently scheduled for implementation on January 26, 2004 as part of an Amex system upgrade, and to adopt these procedures, as proposed herein, and Commentary.05 to Amex Rule 205 on a permanent basis.

(i) *Proposed Odd-Lot Execution Procedures*

Under the Exchange's proposed odd-lot order execution procedures, market and executable limit odd-lot orders entering the Exchange through Amex Order File ("AOF") will receive automatic execution at the price of the next round-lot or partial round-lot ("PRL") transaction on the Exchange in the security named in the order. Non-executable limit odd-lot orders entering the Exchange through AOF will receive automatic execution at the price of the next round-lot or PRL transaction on the Exchange that is at or below the specified limit price (for a buy order) or at or above the specified limit price (for a sell order).<sup>2</sup> Market orders and executable limit odd-lot orders entering the Exchange through AOF in a locked or crossed market will receive automatic execution at the price of the first round-lot or PRL transaction on the Exchange after the locked or crossed market condition no longer exists.<sup>3</sup>

Stop and stop limit odd-lot orders entering the Exchange through AOF will be executed after election. Such orders are elected when the price of a round-lot or PRL transacted on the Exchange is equal to or above the stop price (for buy stop or buy stop limit

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<sup>2</sup> Currently, executable odd-lot limit orders entering the Exchange through AOF prior to the opening of trading and non-executable odd-lot limit orders are handled manually.

<sup>3</sup> Currently, in a crossed market, odd-lot market orders entered through the Amex Order File ("AOF") are automatically executed at the mean of the qualified national bid and offer prices when the bid is higher than the offer by \$.05 or less. If the bid is higher than the offer by more than \$.05, market orders are executed manually after the crossed market condition no longer exists. Executable odd-lot limit orders entered through AOF in a crossed market are automatically executed at the crossed bid price (in the case of sell orders) or at the crossed offer price (in the case of buy orders). In a locked market, odd-lot market orders and executable limit orders entered through AOF are automatically executed at the locked market price.

orders) or is equal to or below the stop price (for sell stop and sell stop limit orders). Once elected, stop and stop limit odd-lot orders will be executed automatically as market and limit odd-lot orders, respectively.<sup>4</sup>

Any odd-lot order received at the trading post (*e.g.*, handled by a floor broker) will be executed manually. In addition, the following odd-lot order types will be executed manually in a manner similar to the odd-lot execution procedures described in Amex Rule 205, Parts B(1), C(1) and C(2), respectively: (i) orders to buy and sell “at the close,” (ii) orders entered prior to the close of trading but filled after the close of trading, and (iii) non-regular way trades.

The Exchange also proposes to add Commentary .02 to Rule 118. Commentary .02 will (i) state that all odd-lot orders in Nasdaq securities traded on the Exchange pursuant to unlisted trading privileges will be executed at the qualified National Best Bid and Offer (“NBBO”), and (ii) define the qualified NBBO for purposes of Commentary .02 and Rule 118(j). The proposed qualified NBBO definition will be substantially identical to the current definition in subparagraph (j)(i) of Rule 118. Consequently, the Exchange proposes to remove the qualified NBBO definition from subparagraph (j)(i) of Rule 118.

(ii) *Adoption of the New Odd-lot Execution Procedures on a Permanent Basis*

The Exchange seeks to adopt the odd-lot order execution procedures, as proposed herein, on a permanent basis. The Exchange’s odd-lot pilot program has operated efficiently and the Exchange has received no complaints or adverse comments from members or the investing public regarding odd-lot executions. Accordingly, the Exchange believes it is appropriate at this time to adopt the odd-lot execution procedures on permanent basis.

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<sup>4</sup> Currently, odd-lot stop and stop limit orders are handled manually.

(b) Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934<sup>5</sup> (the “Act”) in general and furthers the objectives of Section 6(b)(5) of the Act<sup>6</sup> in particular in that it is 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 facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and to protect investors and the public interest, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

**4. Self-Regulatory Organization's Statement on Burden on Competition**

The proposed rule change will impose no burden on competition.

**5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others**

No written comments were solicited or received with respect to the proposed rule change.

**6. Extension of Time Period for Commission Action**

The Exchange does not consent to an extension of the time period for Commission consideration of the proposed rule change specified in Section 19(b)(2) of the Act.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

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<sup>5</sup> 15 U.S.C. 78f

<sup>6</sup> 15 U.S.C. 78f(b)(5)

(d) The Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act. The amendments that are the subject of this proposed rule change are currently scheduled for implementation on January 26, 2004 as part of an Amex system upgrade.

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is not based on the rules of another self-regulatory organization nor of the Commission.

**9. Exhibits**

List of Exhibits Filed:

1. Form of Notice of Proposed Rule Change for publication in the Federal Register.
2. Not applicable.
3. Not applicable.
4. Not applicable.

**SIGNATURES**

Pursuant to the requirements of the Act, as amended, the Exchange has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

**AMERICAN STOCK EXCHANGE LLC**

By: \_\_\_\_\_  
Claire McGrath  
Senior Vice President and  
Deputy General Counsel

Dated: November 10, 2004

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34- ; File No. SR-Amex-2004-01)

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by American Stock Exchange LLC Relating to Odd-Lots in Nasdaq Securities.**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, 2004, the American Stock Exchange LLC (“Amex” or “Exchange”) filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The American Stock Exchange LLC (the “Amex” or the “Exchange”) proposes to amend paragraph (j) of Amex Rule 118, which governs the Exchange’s pilot program for odd-lot order executions in Nasdaq securities transacted on the Exchange pursuant to unlisted trading privileges, and to adopt on a permanent basis paragraph (j) of Amex Rule 118, as proposed herein, and Commentary.05 to Amex Rule 205.

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

In its filing with the Commission, the self-regulatory organization 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. The Amex 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 the Statutory Basis for, the Proposed Rule Change**

(1) Purpose

The Exchange implemented, on a pilot program basis, procedures for odd-lot order executions in Nasdaq securities transacted on the Exchange pursuant to unlisted trading privileges.<sup>1</sup> Paragraph (j) of Amex Rule 118 ("Trading in Nasdaq National Market Securities") describes the Exchange's odd-lot execution procedures and Commentary.05 to Amex Rule 205 ("Manner of Executing Odd-Lot Orders") references Rule 118(j) odd-lot procedures. In this proposed rule change, the Exchange proposes to amend paragraph (j) of Amex Rule 118 to reflect modifications to odd-lot order execution procedures currently scheduled for implementation on January 26, 2004 as part of an Amex system upgrade, and to adopt these procedures, as proposed herein, and Commentary.05 to Amex Rule 205 on a permanent basis.

(i) *Proposed Odd-Lot Execution Procedures*

Under the Exchange's proposed odd-lot order execution procedures, market and executable limit odd-lot orders entering the Exchange through Amex Order File ("AOF") will receive automatic execution at the price of the next round-lot or partial round-lot ("PRL") transaction on the Exchange in the security named in the order. Non-executable limit odd-lot orders entering the Exchange through AOF will receive automatic execution at the price of the next round-lot or PRL transaction on the Exchange that is at or below the specified limit price (for a buy order) or at or above the specified limit price (for a sell order).<sup>2</sup> Market orders and executable limit odd-lot orders entering the

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<sup>1</sup> On August 2, 2002, the original odd-lot execution procedures were approved on a pilot program basis. See SR-Amex-2002-56, Release No. 34-46304 dated August 2, 2002. The pilot program was later extended for a six-month period ending December 27, 2003. See SR-Amex-2003-56, Release No. 34-48174 dated July 14, 2003. On November 20, 2003, pursuant to Section 19(b)(3)(A) and Rule 19b-4(f)(6), the Exchange filed SR-Amex-2003-102, a proposed rule change to amend paragraph (j) of Amex Rule 118 and to extend the pilot program through June 27, 2004.

<sup>2</sup> Currently, executable odd-lot limit orders entering the Exchange through AOF prior to the opening of trading and non-executable odd-lot limit orders are handled manually.

Exchange though AOF in a locked or crossed market will receive automatic execution at the price of the first round-lot or PRL transaction on the Exchange after the locked or crossed market condition no longer exists.<sup>3</sup>

Stop and stop limit odd-lot orders entering the Exchange through AOF will be executed after election. Such orders are elected when the price of a round-lot or PRL transacted on the Exchange is equal to or above the stop price (for buy stop or buy stop limit orders) or is equal to or below the stop price (for sell stop and sell stop limit orders). Once elected, stop and stop limit odd-lot orders will be executed automatically as market and limit odd-lot orders, respectively.<sup>4</sup>

Any odd-lot order received at the trading post (*e.g.*, handled by a floor broker) will be executed manually. In addition, the following odd-lot order types will be executed manually in a manner similar to the odd-lot execution procedures described in Amex Rule 205, Parts B(1), C(1) and C(2), respectively: (i) orders to buy and sell “at the close,” (ii) orders entered prior to the close of trading but filled after the close of trading, and (iii) non-regular way trades.

The Exchange also proposes to add Commentary .02 to Rule 118. Commentary .02 will (i) state that all odd-lot orders in Nasdaq securities traded on the Exchange pursuant to unlisted trading privileges will be executed at the qualified National Best Bid and Offer (“NBBO”), and (ii) define the qualified NBBO for purposes of Commentary .02 and Rule 118(j). The proposed qualified NBBO definition will be substantially identical to the current definition in subparagraph (j)(i) of Rule 118. The proposed qualified NBBO definition will be substantially identical to the current definition in subparagraph (j)(i) of Rule 118. Consequently, the Exchange proposes to remove the qualified NBBO definition from subparagraph (j)(i) of Rule 118.

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<sup>3</sup> Currently, in a crossed market, odd-lot market orders entered through the Amex Order File (“AOF”) are automatically executed at the mean of the qualified national bid and offer prices when the bid is higher than the offer by \$.05 or less. If the bid is higher than the offer by more than \$.05, market orders are executed manually after the crossed market condition no longer exists. Executable odd-lot limit orders entered through AOF in a crossed market are automatically executed at the crossed bid price (in the case of sell orders) or at the crossed offer price (in the case of buy orders). In a locked market, odd-lot market orders and executable limit orders entered through AOF are automatically executed at the locked market price.

(ii) *Adoption of the New Odd-lot Execution Procedures on a Permanent Basis*

The Exchange seeks to adopt the odd-lot order execution procedures, as proposed herein, on a permanent basis. The Exchange's odd-lot pilot program has operated efficiently and the Exchange has received no complaints or adverse comments from members or the investing public regarding odd-lot executions. Accordingly, the Exchange believes it is appropriate at this time to adopt the odd-lot execution procedures on permanent basis.

(2) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it is 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 facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to protect investors and the public interest and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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

The Exchange does not believe that the proposed rule change will impose any 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 were solicited or received with respect to the proposed rule change.

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<sup>4</sup> Currently, odd-lot stop and stop limit orders are handled manually.

**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 Exchange 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. 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. 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 in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-2004-01 and should be submitted by [insert date 21 days from date of publication].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Jonathan G. Katz  
Secretary

Dated:

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<sup>5</sup> 17 CFR 200.30-3(a)(12).

## AMERICAN STOCK EXCHANGE LLC

## Proposed Rule Change

It is proposed that the following provisions of the American Stock Exchange Rules be amended as set forth below. [Bracketing] indicates text to be deleted and underlining indicates text to be added.

**Trading in Nasdaq National Market Securities**

Rule 118. (a) through (i) No change.

(j) Odd-Lot Orders – Odd lot orders in Nasdaq National Market securities shall be executed in the following manner:

(i) Market and [Executable] Limit Orders – [A] Odd-lot market orders [or] and executable limit orders shall be executed, unless otherwise provided herein, at the price of the first round-lot or partial round-lot (“PRL”) transaction in the security on the Exchange after receipt of the order [qualified national best offer (in the case of an order to buy) or qualified national best bid (in the case of an order to sell) in the security at the time the order has been received at the trading post or through the Amex Order File. An order entered through the Amex Order File shall receive automatic execution at such price]. Non-executable odd-lot limit orders shall be executed at the price of the first round-lot or PRL transaction in the security on the Exchange after receipt of the order when such price is at or below the specified limit price (for a buy order) or at or above the specified limit price (for a sell order).

[All market odd-lot orders entered prior to the opening of trading of Nasdaq National Market securities on the Exchange shall receive automatic execution at the price of the first round-lot or Part of Round-lot (PRL) transaction on the Exchange. Executable limit odd-lot orders entered prior to the opening of trading of Nasdaq National Market securities on the Exchange shall be executed manually at the price of the first round-lot or PRL transaction on the Exchange.]

[For purposes of this subparagraphs (j)(i), the qualified national best bid or offer for a Nasdaq National Market security shall mean the highest bid and lowest offer, respectively, disseminated (A) by the Exchange or (B) by another market center participating in 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 Privileges Basis (“Plan”); provided, however, that the bid and offer in another such market center will be considered in determining the qualified national best bid or offer in a stock only if (i) the quotation conforms to the requirements of Rule 127 (“Minimum Price Variations”), (ii) the quotation does not result in a locked or crossed market, (iii) the market center is not experiencing operational or system problems with respect to the dissemination of quotation information, and (iv) the bid or offer is “firm,” that is, members of the market center disseminating the bid or offer are not relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Ac1-1.]

(ii) Stop and Stop Limit Orders – Odd-lot stop orders and stop limit orders shall become market orders and limit orders, respectively, when the price of a round-lot or PRL transaction in the security on the Exchange is equal to or above the stop price (for buy stop or buy stop limit orders) or is equal to or below the stop price (for sell stop and sell stop limit orders). Odd-lot stop and stop limit orders shall then receive automatic execution in accordance with subparagraph (j)(i).

(iii) [Limit Orders; Stop Orders; Stop-Limit Orders;] Other Order Types – [Unless otherwise provided herein, non-executable limit, stop, and stop limit orders shall be executed in accordance with Rule 205, Parts A (2), A(3), and A(4), respectively.] Orders to buy or sell “at the close” shall be filled at the price of the closing round-lot sale in the security on the Exchange. An odd-lot order received prior to the close but not filled either before the close or on the close may be filled after the close in accordance with the provisions of Rule 205, Part C (1).

(ii)iv Non-Regular Way Trades – Non-regular way trades shall be effected in accordance with the provisions of Rule 205, Part C (2).

(i)v Locked and Crossed Market Conditions =

[(a)] [For] Odd-lot market orders and executable limit orders entered [after the opening, when the national best bid and offer is] in a locked market condition (i.e., the national best bid and offer are the same) or a crossed market condition (i.e., the national best bid is higher than the national best offer)], odd-lot buy and sell orders will be executed at that locked market price] shall be executed in accordance with subparagraph (j)(i) after the locked or crossed market condition no longer exists.

(b) Crossed Market Condition – When a crossed market condition exists (i.e., bid higher than offer) and the national best displayed bid is higher than the national best displayed offer by \$.05 or less, market orders will receive automatic execution at the mean of the bid and offer prices. If the mean is in a subpenny increment, the price of execution would be rounded up to the nearest

\$.01. When the national best displayed bid is higher than the offer by more than \$.05, an odd-lot market order will not receive automatic execution and is to be executed manually at the time a crossed market condition no longer exists, in accordance either with subparagraph (i) or (iv)(a) of this paragraph (j), as appropriate. An executable limit order will receive automatic execution at the crossed market national best displayed bid (in the case of an order to sell) or at the crossed market national best displayed offer (in the case of an order to buy).]

(vi) No odd-lot differential may be charged on any odd-lot orders, except for non-regular way trades effected under Rule 118 (j)(iii).

(vii) Odd-lot orders in Nasdaq National Market securities are permitted to be marked (“short”) and are acceptable for all order types, and Rule 7, Commentary .02 shall apply to such orders.

(k) No change.

**...Commentary**

.01 no change

.02 Unless otherwise provided in paragraph (j), odd-lot orders in Nasdaq securities traded on the Exchange pursuant to unlisted trading privileges are executed at the qualified national best bid or offer. The qualified national best bid or offer for a Nasdaq National Market security shall mean the highest bid and lowest offer, respectively, disseminated (A) by the Exchange or (B) by another market center participating in 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 Privileges Basis (“Plan”); provided, however, that the bid and offer in another such market center will be considered in determining the qualified national best bid or offer in a stock only if (i) the quotation conforms to the requirements of Rule 127 (“Minimum Price Variations”), (ii) the quotation does not result in a locked or crossed market, (iii) the market center is not experiencing operational or system problems with respect to the dissemination of quotation information, and (iv) the bid or offer is “firm,” that is, members of the market center disseminating the bid or offer are not relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Ac1-1.

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**Manner of Executing Odd-Lot Orders**

Rule 205

Commentary

.01 through.04 No Change.

.05 Odd-lot orders in Nasdaq National Market securities shall be executed in accordance with Rule 118(j).

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