



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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COMMISSION TO CONSIDER NEXT STEP IN ESTABLISHING INTERMARKET LINK

The Commission will consider, at an open meeting scheduled for next Thursday, the next step in establishing an automated link between the exchange and over-the-counter securities markets.

The meeting is scheduled to begin at 9 a.m. on Thursday, May 6 in the Commission Meeting Room, room 825, at Commission headquarters, 500 North Capitol Street. Immediately following the meeting, staff officials will participate in a briefing in room 870, to explain whatever action the Commission takes.

An automated link between the specialists who trade securities on the floors of exchanges and the "upstairs market makers" throughout the country who trade in the over-the-counter (OTC) market, has been considered an important element in development of a national market system (NMS). The Commission was instructed by Congress in 1975 to "facilitate" development of an NMS.

In April 1981, the Commission ordered implementation of an automated intermarket link by March 1 of this year. The link would provide communication between the automated NASDAQ OTC trading system operated by the National Association of Securities Dealers and the Intermarket Trading System (ITS). The ITS currently provides automated communication among specialists on the floors of seven national securities exchanges.

Because of technical system delays, the Commission deferred implementation of the link until May 1, 1982. At the same time, it published proposed amendments to the ITS operating plan that would accommodate the participation in ITS of the OTC market makers. At its meeting next Thursday, the Commission will consider whether to adopt the ITS plan amendments.

The Commission's 1981 order specified that the link will operate in a "pilot stage" for the first six months after implementation. During that time, it will only be used to trade the 30 most active stocks under the Commission's Rule 19c-3. That rule precluded extension of exchange off-board trading restrictions to securities that became exchange-listed on or after April 26, 1979. Therefore, during the first six months of operation of the intermarket link, it will be used to trade only the 30 most actively traded stocks out of those that became exchange listed during the past three years.

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