

OTC Bulletin Board®

# Update

First Quarter 2000

## NASD Proposes OTCBB Limit Order Protection Pilot

The National Association of Securities Dealers, Inc. (NASD®) Board of Governors has approved a proposal for a pilot program to provide limit order protection to a sample group of OTC Bulletin Board® (OTCBB) securities. The proposal will be sent to the Securities and Exchange Commission (SEC) for final approval.

The OTCBB limit order protection pilot will prohibit Market Makers from executing proprietary trades at prices superior or equal to a customer limit order, received from their own customer or from another firm, without providing “contemporaneous” (within a maximum of five minutes) execution of the customer’s order. The limit order protection will extend up to the size of the limit order as long as it does not exceed the size of the proprietary trade. No special terms and conditions can be reached with a retail customer to exempt the Market Maker from this rule (although an exception to the terms and conditions clause exists for

institutional clients and orders of at least 10,000 shares with a value of at least \$20,000). However, the Market Maker is under no obligation to accept any customer limit orders.

The limit order protection pilot is a response to the steady growth of the OTCBB, which has evolved into a vibrant and active market. Since 1996, average daily share volume has increased by 422% to 323 million shares and average daily executions have risen 367% to 13.3 million shares. This growth has been spurred by increased participation by individual investors, online trading, and a proliferation of stock information provided through the Internet. With this increased direct participation, the NASD believes that the OTCBB is ripe for new investor protection provisions and, accordingly, limit order protection—an essential, basic investor protection provision—should now apply to this market.

Recognizing the potential impact limit order protection could have upon the OTCBB—a marketplace

consisting of diverse securities with varying degrees of liquidity and price—the pilot program will be established to assess the effects the rule may have on different tiers of securities within the OTCBB before applying it to the marketplace as a whole. The pilot will be a 12-month program for a select group of 300 OTCBB securities, to be phased-in based on a price/volume liquidity measure. The list of 300 securities will not be made available until sometime after the pilot is approved by the SEC. The pilot program will allow the NASD to track the trading patterns of the pilot securities to determine what, if any, effect the OTCBB limit order protection rule has on liquidity, price, and immediacy of execution before establishing a permanent rule.

To learn more about limit order protection, see “How Limit Order Protection Works” on page 4.

For more information on the proposal, please call Liz Heese at (202) 728- 8191. ■

# NASD Proposes Limited Trade-Halt Authority for OTCBB Securities

The NASD has submitted a proposal (NASD 6545) to the SEC to allow Nasdaq® to halt trading and quotations in OTCBB securities under certain circumstances.

If the proposal is approved, Nasdaq will have the authority to halt trading and quotations in an OTCBB security or an American Depositary Receipt (ADR) that is included in the OTCBB when:

- 1) the OTCBB security is dually listed on or registered with a foreign securities exchange or market and the foreign market or regulatory authority halts trading in the security for regulatory reasons. Upon learning of the foreign entity's halt, Nasdaq will evaluate the information and determine whether a halt in the OTCBB security is appropriate. Nasdaq will not impose a halt if the foreign entity's halt is based on one of the following:
  - dissemination of material news;
  - an issuer's failure to meet regulatory filing requirements imposed by a foreign market or regulatory authority; or

- operational reasons.
- 2) the OTCBB security is a derivative or component of a security listed on a national securities exchange or Nasdaq, and the exchange or Nasdaq imposes a trading halt in the underlying listed security. Since the trading price of the OTCBB derivative is dependent on the price of the underlying listed security, it is difficult to price the derivative security accurately when there is no current pricing information on the underlying security.
  - 3) the issuer fails to comply with the requirements of SEC Rule 10b-17 regarding "Untimely Announcements of Record Dates." Rule 10b-17 requires issuers to give the NASD timely notice of:
    - a dividend or other distribution in cash or in kind;
    - a stock split or reverse split; and
    - a rights or other subscription offering.

Under the rule, the issuer is required to provide this information to the NASD no later than 10 business days prior to the record date or, if 10 days advance notice is not practical, on or before the record

date. Delays in meeting these requirements in the past have caused some marketplace confusion because the information has been disseminated unevenly, therefore impacting the pricing and trading of OTCBB securities.

During an OTCBB/ADR halt imposed by Nasdaq, market participants will not be able to:

- effect, directly or indirectly, a trade in such security; or
- publish a quotation, a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" and "offer wanted" indication), or a bid or offer accompanied by a modifier to reflect unsolicited customer interest, in any quotation medium.

A halt will be lifted if Nasdaq determines that the basis of the halt no longer exists or after five business days, whichever occurs first. If trading is halted for five days and then lifted, Market Makers will be required to fulfill their obligations under SEC Rule 15c2-11 prior to initiating a priced or unpriced quotation in the security. Nasdaq will notify market participants and the public of halts through Nasdaq and NASD Regulation<sup>SM</sup> Web sites, including:

- [www.otcbb.com](http://www.otcbb.com);
- [www.nasdaqtrader.com](http://www.nasdaqtrader.com); and
- [www.nasdr.com](http://www.nasdr.com).

Halts are also posted on the Nasdaq Workstation II® (NWII™). From the main menu bar, select "InfoSvcs," then click on "Nasdaq News."

The trading and quotation halt rule, if approved by the SEC, will protect investors, produce fair and informative quotations, and promote orderly procedures for collecting, distributing, and publishing quotations. Please direct any questions regarding the trade-halt rule filing to Liz Heese at (202) 728-8191. ■

## NASD Proposes New Minimum Quote Size Tiers

The NASD is proposing to establish new minimum quotation sizes for securities priced over \$200. In September, the SEC approved an amendment to NASD Rule 6750 to provide any Nasdaq officer at the executive vice president level or above with the limited discretionary authority to reduce the minimum quote size for securities over \$200. This new proposal will further amend Rule 6750, establishing a new quote-size tier structure.

The proposed structure is:

Price (Bid or Offer)	Minimum Quote Size
\$200.01 - 500	25
\$500.01 - 1,000	10
\$1,000.01 - 2,500	5
\$2,500.01 +	1

If approved, the new quote-size tier structure will help improve liquidity and transparency for these securities.

# Fees to be Instituted for Online Research Reports

The SEC has approved an NASD proposal to establish a nominal fee structure for Trading Activity Reports available on the OTCBB Web site at [www.otcbb.com](http://www.otcbb.com).

The new fees are as follows:

## Daily Detailed Reports

(e.g., *Market Maker Price Movement, Time and Sales Report, and Inside Quote Report*)

- \$ 7 per day, per security and/or market participant for reports containing 15 fields or less
- \$15 per day, per security and/or market participant for reports containing more than 15 fields

(all reports currently available on the site contain 15 fields or less)

## Summary Level Activity Reports

(e.g., *Trade and Quote Summary*)

- \$25 per monthly or quarterly report

## The Monthly Share Volume Report

, also available on the OTCBB Web site, will continue to be offered free of charge.

These reports have been offered on [OTCBB.com](http://OTCBB.com) free of charge since mid-1999. The new fee structure will go into effect in spring 2000. To order a report online, from the home page, click on the “Trading Activity

Reports” button, then click on the report of interest. To view a sample of any of the report types available online or through the research service, click on “Other Research Reports and Services.”

You can use your Visa or MasterCard to place an order. NASD is using up-to-date encryption technology to secure your credit card information being transmitted over the Internet. These reports are guaranteed to be delivered via email within 48 hours of being ordered—but are often delivered within minutes. ■

## What's Happening @OTCBB.com

The OTCBB Web site is continually being enhanced. Several releases are scheduled in 2000 and will include new products, services, and features for market participants, issuers, and investors.

### Recently Released

- Inside Quote Report – A new Trading Activity Report that details changes to the inside market throughout the day for a selected security. To order a report, go to [www.otcbb.com](http://www.otcbb.com), click on “Trading Activity Reports” and then select “Inside Quote Report” under “Historical Research Reports.”
- 1999 Stock Summary – The new 1999 summary is now available, in addition to the 1998 and 1997 summaries. Annual stock summaries are available for any security quoted on the OTCBB as of December 31st for the selected year. To view a stock summary on [www.otcbb.com](http://www.otcbb.com), click on “Market Statistics” and go to “Stock Summaries.”
- Email notification of monthly statistics update – Subscribers can sign up to receive email notification each month as the updated statistics are posted on the Web. To view monthly statistics on [www.otcbb.com](http://www.otcbb.com), click on “Market Statistics.”

### Coming in 2000

- Delayed quotes for all OTCBB securities.
- Implementation of new fee structure for selected online reports.
- OTCBB Company Directory, with updated contact information for all current OTCBB issuers.

Stay tuned for more information on new releases and enhancements to [OTCBB.com](http://OTCBB.com) throughout the year.

# Aces Pass-Thru to Accept Decimals for OTCBB Securities

In response to numerous requests by the trading community, effective **Monday, March 27, 2000**, Aces Pass-Thru<sup>SM</sup> will accept orders with decimal pricing via Computer-to-Computer Interface (CTCI). This new feature will provide Aces Pass-Thru Market Makers and order-entry firms, since they may already quote in decimals, the ability to send orders and receive executions in decimal format for OTCBB issues only. This change does not affect the conversion of Nasdaq issues to decimal pricing which is currently scheduled for July 2000.

In addition to fractional prices, Aces Pass-Thru will accept the following decimal price formats:

- Ten characters maximum (including decimal point);
- No more than six whole digits;
- No more than four decimal places;

- If the dollar amount exceeds five digits, only three decimal places will be allowed; and
- Prices less than \$1.00 must include a zero to the left of the decimal point.

Aces Pass-Thru will deliver orders and executions in the format (decimal or fraction) the system receives. For example, if an order-entry firm sends an order with a decimal price of \$4.25 and the Market Maker responds with an execution price of 4 1/4, Aces Pass-Thru will deliver the execution in fractions, as entered by the Market Maker.

These changes are being made to Nasdaq's internal system. Market Makers and order-entry firms need to coordinate any possible changes within their internal systems to support decimal processing for these securities.

Weekday testing began February 22, 2000. To schedule test time,

please call the CTCI Testing Center at (800) 288-3783 and leave a message. An analyst will return your call promptly to schedule a testing date and time.

A production test is tentatively scheduled for **Saturday, March 11, 2000**. To schedule a weekend production test, firms must call the Testing Center by 12:00 p.m., Eastern Time, the Thursday before the test. Please be sure to leave your name, your firm's name, telephone and fax numbers, email address and any CTCI lines you will use during the test.

If you have any questions regarding this information, please contact Karen Peterson, Nasdaq Product Development, at (212) 858-4137. ■

## How Limit Order Protection Works

Market Maker A accepts a limit order (that is not an all-or-none [AON] order) from Customer Jones in ABCD stock to buy 5,000 shares at 10 1/8.

The inside market for ABCD is 10 - 10 1/2.

Market Maker A is displaying a quote of 10 - 10 1/2.

Market Maker A then buys 1,000 shares of ABCD stock for its own account at 10.

To comply with the Limit Order Protection Rule, since Market Maker A makes a trade for its own proprietary account at a price superior to the customer's order, it must fill 1,000 shares of Customer Jones' order at 10 1/8 (not the full 5,000 shares) as quickly as possible, but no later than five minutes after the proprietary trade. ■

# Have You Taken Your Series 55 Exam?

**O**n April 1, 1998, NASD Regulation, Inc., amended the NASD Registration Rules regarding the qualification of representatives who trade equity securities on The Nasdaq Stock Market® and/or the OTCBB. The amendments allow market participants to continue to trade but requires them to pass the Limited Representative—Equity Trader (Series 55) Examination by **May 1, 2000**.

Candidates subject to the May 1, 2000, deadline who have not successfully completed the Series 55 exam are strongly encouraged to do so as soon as possible. On May 1, 2000, any candidate who has not passed the Series 55 will have to cease all trading activities in Nasdaq and/or OTCBB equity securities.

A Series 55 study outline is available for \$5. Copies of the study outline and registration applications may be

obtained from NASD MediaSource<sup>SM</sup> at (301) 590-6142. To access materials online, visit [www.nasdaq.com](http://www.nasdaq.com). From the homepage, select “Services” and click on “Bookstore,” and then “NASD Regulation.”

If you have any questions regarding this requirement, contact Carole Hartzog at the NASD Testing and Continuing Education Department at (301) 590-6696. ■

## Contact List

### Product Manager

Liz Heese  
(202) 728-8191  
[lisabeth.heese@nasdaq.com](mailto:lisabeth.heese@nasdaq.com)

### Legal Questions

(202) 728-8294

### Research Service

(202) 728-8477  
[research@nasdaq.com](mailto:research@nasdaq.com)

### Form 211 Application Information

OTC Compliance Unit  
(301) 978-2100

### Symbol Change, Name Change, or Stock Split

Market Data Integrity  
(203) 375-9609

### Using the OTCBB Service

Market Operations  
(203) 378-0284

*The OTC Bulletin Board Update is a quarterly publication which provides information on developments and policies affecting OTCBB Market Makers and issuers. The OTCBB welcomes your comments or suggestions for future issues.*

*Copyright 2000, The Nasdaq Stock Market, Inc. All rights reserved. OTC Bulletin Board, Nasdaq, and The Nasdaq Stock Market are registered services mark of The Nasdaq Stock Market, Inc. Aces Pass-Thru is a service mark of The Nasdaq Stock Market, Inc. NASD Regulation is a service mark of NASD Regulation, Inc. NASD and NASD MediaSource are registered service marks of the National Association of Securities Dealers, Inc.*

# OTC Bulletin Board - Top 100 Issues January 2000

## AVERAGE DAILY VOLUME



SYMBOL	NAME	SHARE VOLUME	DOLLAR VOLUME	CLOSE PRICE 1/31/2000	SYMBOL	NAME	SHARE VOLUME	DOLLAR VOLUME	CLOSE PRICE 1/31/2000
MVEE	1ST MIRACLE GROUP INC	165,182,605	\$2,220,328	0.0097	MBHC	MORTGAGE BANKERS HOLDINGS CORP	2,524,595	\$608,385	0.25
SHMN	SHAMAN PHARM INC	81,824,655	\$6,120,173	0.061	TXMC	TIREX CORP (THE)	2,506,450	\$389,635	0.2
MPTVE	MPTV INC	39,465,110	\$437,511	0.011	SYCR	SYNCRONYS SOFTCORP	2,384,910	\$131,895	0.05
BICO	BIOCONTROL TECH INC	37,554,500	\$4,783,849	0.134	TXAG	TEXAS AMERN GRP INC (NEW)	2,301,785	\$60,957	0.023
PABN	PANAMERICAN BANCORP	34,143,085	\$2,036,683	0.067	WTHL	WHITEHALL ENTERPRISES INC	2,296,790	\$813,511	0.51
TSIG	TELESERVICES INTERNET GRP INC	26,499,960	\$10,095,690	0.4	LVFIQ	LEVITZ FURNITURE INC	2,280,040	\$484,596	0.167
ARET	AMERIRESOURCE TECHNOLOGIES INC	22,365,710	\$2,209,276	0.137	UREC	URECOATS INDUSTRIES INC	2,236,380	\$2,249,496	1.40625
AREE	ARETE INDUSTRIES INC	16,796,245	\$622,319	0.041	BNTI	BRAINTech INC	2,070,460	\$6,785,389	2.8125
ADGI	AMERICAN DIVERSIFIED GROUP INC	12,557,440	\$1,279,636	0.17	MIGR	MIGRATEC INC	2,054,680	\$1,328,418	0.76
ABRG	AMBRA RESOURCES GROUP INC	12,489,195	\$2,666,537	0.39	ANTM	ANTENNAS AMERICA INC	2,047,745	\$822,592	0.5
IINN	INTL INTERNET INC	11,739,045	\$5,960,684	0.5	PCBM	PINNACLE BUSINESS MNGMNT INC	1,985,610	\$287,998	0.135
MGHCE	MILLENNIUM GROUP HLDGS INC	10,561,495	\$281,689	0.04	USVO	U S A VIDEO INTERACTIVE CORP	1,956,575	\$6,272,843	4.84375
EDIG	E DIGITAL CORP	10,394,660	\$107,888,202	13.1875	NBMXE	NATIONAL BOSTON MED INC	1,919,910	\$246,036	0.095
USHO	U S HOMECARE CORP	10,275,845	\$790,235	0.13	BAOA	BAOA INC	1,879,195	\$173,157	0.11
HCCAE	HEXAGON CONS CO OF AMER INC	10,040,435	\$451,535	0.063	MYIQ	EDULINK INC	1,852,135	\$257,118	0.135
TMMI	T M M INC NEW	8,895,955	\$6,606,708	1.12	ISCO	ILLINOIS SUPERCONDUCTOR CORP	1,822,315	\$5,291,101	3.8125
NCTI	NCT GROUP INC	8,490,905	\$4,382,461	0.59	SHCC	SARATOGA INTL HLDGS CORP	1,806,080	\$424,985	0.23
SFAD	SAFE TECHNOLGS INTL INC	8,475,450	\$1,027,622	0.134	CRNC	CHRONICLE COMMUNICATNS INC	1,756,185	\$362,412	0.16
SNTS	SANI-TECH INDS INC	8,397,020	\$136,364	0.0135	APPI	ADVANCED PLANT PHARMCTCLS	1,703,395	\$237,668	0.135
STRU	STRUTHERS INC	7,593,175	\$3,253,225	0.37	FNTN	FINANCIAL INTRANET INC	1,697,170	\$408,135	0.39
CLSI	CLANCY SYS INTL INC	7,065,355	\$345,542	0.06	AIGI	ADAIR INTL OIL & GAS INC	1,678,100	\$2,788,498	1.375
INCE	INTERCELL CORP NEW	6,813,835	\$1,750,806	0.24	WAVC	WAVERIDER COMMUNICATIONS INC	1,670,760	\$5,699,524	5
ECNC	ECONNECT	6,735,350	\$7,769,497	1.5625	PLLK	PARALLEL TECHNOLOGIES INC	1,646,955	\$547,635	0.3
CDNO	CONS CAPITAL NORTH AMERICA INC	6,497,620	\$705,964	0.155	NVIDE	NVID INTL INC	1,608,835	\$413,955	0.2
PLHYQ	PLANET HOLLYWOOD INTL CL A	6,244,455	\$980,252	0.1	WELU	WELLNESS UNIVERSE CORP	1,563,880	\$923,260	0.4
NSKY	NEW SKY COMMUNICATIONS INC	6,070,620	\$702,631	0.115	CCGR	COLLECTIBLE CONCEPTS GRP INC	1,487,405	\$164,758	0.1275
KAHI	KAIRE HOLDINGS INC	6,026,570	\$1,973,703	0.37	ADOT	ADVANCED OPTICS ELECTRONCS INC	1,471,105	\$1,573,249	0.6875
FASC	FIRST AMERI SCIENTIFIC CORP	5,865,345	\$591,314	0.195	IMCC	IMC MORTGAGE CO	1,428,810	\$125,243	0.127
LOCH	LOCH HARRIS INC	5,821,010	\$5,603,341	1.35	GONT	GO ONLINE NETWORKS CORP	1,393,990	\$441,380	0.4
UVGI	UNITED VENTURES GROUP INC	5,302,685	\$1,532,381	0.325	USMC	AMERICAN IMAGE MOTOR CO INC	1,362,190	\$111,160	0.037
FONX	FONIX CORP	5,139,455	\$2,261,944	0.51	MRTIE	METAL RECOVERY TECHNLS INC	1,344,590	\$103,648	0.055
DRYD	DRYDEN INDUSTRIES INC	5,061,340	\$1,353,473	0.3	FBCE	FIBERCORE INC (NEW)	1,264,495	\$4,255,887	3.1875
IMDS	IMAGING DIAGNOSTIC SYSTEM INC	4,448,445	\$7,348,594	2.625	NIARE	NORTH AMERN RESORTS INC NEW	1,259,940	\$16,660	0.007
WWDE	WORLDWIDE EQUIPMENT CORP	4,434,645	\$369,287	0.1	ECAR	U S ELECTRICAR INC	1,246,335	\$680,169	0.64
IVOC	IVoice.COM INC	4,277,210	\$10,124,712	3.75	MDIX	MEDIX RESOURCES INC	1,236,170	\$4,612,557	4.12
QPRC	QUEST PRODUCTS CORP	4,248,655	\$355,067	0.109375	EISQ	ELECTRONIC IDENTIFICATION INC	1,229,800	\$1,909,292	3.7
VDOT	VIRTUALSELLERS.COM INC	4,009,815	\$17,935,850	7.03125	MRAYE	MURRAY UTD DEV CORP	1,208,085	\$37,245	0.03
TTRIF	THERMO TECH TECH INC	3,716,710	\$168,024	0.048	CHIP	LS CAPITAL CORP	1,204,415	\$97,919	0.075
IBUI	INTERNET BUSNSS INTL INC	3,320,045	\$1,375,179	0.54	NPECE	NP ENERGY CORP NEW	1,181,865	\$63,385	0.04
EPEAE	E-PRIME AEROSPACE CORP	3,228,010	\$142,038	0.055	MDCH	MEDITECH PHARMACEUTICALS	1,181,260	\$58,337	0.031
PAYV	PAYFORVIEW.COM CORPORATION	3,174,955	\$2,817,133	0.71	SDWSF	SIDEWARE SYSTEMS INC	1,175,050	\$15,629,709	12.1875
PTSC	PATRIOT SCIENTIFIC CORP	3,145,230	\$10,198,783	4.625	LWNTF	LANGUAGEWARE.NET (CO) LTD	1,168,980	\$2,014,231	2.21875
HICS	HYDROGIENE CORP	3,114,940	\$3,054,137	1.36	TSATA	TCI SATELLITE ENTERTAINMENT IN	1,154,690	\$18,405,202	15
USDI	US DIGITAL COMMUNICATIONS NEV	3,079,420	\$1,150,998	0.46875	TSIS	INTERACTIVE TELESIS INC (NEW)	1,128,590	\$1,854,013	1.5625
ACCR	ACCESS POWER INC	3,009,365	\$5,100,612	1.9375	BGOC	BLACK GIANT OIL CO	1,115,770	\$1,344,872	2
DMEC	DIAMOND ENTERTAINMENT CORP	2,983,800	\$316,818	0.145	EXTI	EXTEN INDUSTRIES INC	1,107,140	\$195,192	0.18
GTM1	GLOBAL TELEMEDIA INTL INC	2,920,475	\$1,814,804	0.57	TXCI	TOTALACCESS.COM INC	1,097,845	\$320,601	0.38
FFSYE	FORTUNE FINL SYS OF NEV INC	2,892,185	\$390,486	0.085	EDIS	EARTH SEARCH SCIENCES INC	1,045,350	\$1,714,996	1.5
LAKO	LAKOTA TECH INC	2,756,640	\$1,015,754	0.64	TLWN	TRIM-A-LAWN CORP (NEW)	1,028,125	\$179,021	0.215
LITH	LITHIUM TECHNLOGY CORP(NEW)	2,735,305	\$2,468,400	1.255	MMICE	MULTI-MEDIA INDUSTRIES CP	1,027,990	\$331,536	0.27

SOURCE: NASDAQ TRADING & MARKET SERVICES