



DIVISION OF  
MARKET REGULATION

UNITED STATES  
**SECURITIES AND EXCHANGE  
COMMISSION**  
WASHINGTON D.C. 20549

October 6, 2000

Howard Kramer, Esq.  
Schiff Hardin & Waite  
1101 Connecticut Avenue, N.W.  
Washington, D.C. 20036

**Re: Conditional Exemption from Rule 15c2-11 for Quotation Mediums File No. TP 00-122**

Dear Mr. Kramer:

In your [letter dated October 6, 2000](#), as supplemented by conversations with the staff, you request on behalf of GlobeNet Securities, Inc. (GlobeNet) an exemption from Rule 15c2-11 (Rule 15c2-11 or Rule) under the Securities Exchange Act of 1934 (Exchange Act). Specifically, you seek an exemption to permit brokers or dealers to publish quotations in the quotation medium operated by GlobeNet without having to separately comply with Rule 15c2-11 for those securities whose quotations are being published on an interdealer quotation system. We have attached a copy of your letter, and unless otherwise noted, each defined term in this letter has the same meaning as defined in your letter.

You request this conditional exemption from Rule 15c2-11 based on the belief that the policy goals underlying the Exchange Act, including maintenance of fair and orderly securities markets, broad dissemination of reliable quotation and transaction information, and facilitation of competition, would be advanced if brokers or dealers were able to publish quotations in various quotation mediums if a specified quotation frequency has been established in an interdealer quotation system that displays unsolicited customer indication of interest.

GlobeNet, a registered broker-dealer and an NASD member, has filed Form ATS in connection with the GlobeNet ATS and is authorized to operate as an ATS. The GlobeNet ATS will trade the equity securities of current reporting issuers and will operate as a matching system for orders in the shares of small capitalization companies traded on the Over-the-Counter Bulletin Board or other markets and exchanges. The GlobeNet ATS will be a quotation medium but will not be an interdealer quotation system because it will not identify the broker or dealer that submits quotations to the system.

While your request related to GlobeNet ATS, the exemption granted herein is available to brokers or dealers that publish quotations in any quotation medium pursuant to the conditions described below.

Response: Rule 15c2-11 governs the publication of quotations for securities in a quotation medium other than a national securities exchange or Nasdaq. Quotation medium is defined in section (e)(I) of the Rule as "any interdealer quotation system or any publication or electronic communications network or other device which is used by brokers or dealers to make known to others their interest in transactions in any security, including offers to buy or sell at a stated price or otherwise, or invitations of offers to buy

or sell." Rule 15c2-11 prohibits a broker or dealer from publishing any quotation for an OTC security (covered security), or from submitting any such quotation for publication, in any quotation medium, unless such broker or dealer has in its records and reviews the information specified in the Rule regarding the security and its issuer, or unless an exception or exemption from the Rule's requirement is available.

Rule 15c2-11 (f)(3)(i) contains a "piggyback" exception to the Rule's information review requirements for the publication of quotations in a quotation medium that is an interdealer quotation system if the frequency of quotations in the system satisfies the conditional of this provision. An interdealer quotation system is defined as "any system of general circulation to brokers or dealers which regularly disseminates quotations of identified brokers or dealers." Brokers or dealers submitting quotations to quotation mediums that are not interdealer quotation system would have to separately comply with Rule 15c2-11 each time they publish a quotation. Piggyback exception eligibility is not transferable from one interdealer quotation system to another, unless the Commission has granted an exemption.<sup>1</sup>

Based upon your representation and the facts presented, the Commission hereby grants an exemption from Rule 15c2-11, pursuant to paragraph (h), to permit brokers or dealers to publish or submit quotations in quotation mediums, including quotation mediums that are not interdealer quotation systems, for covered securities subject to the following conditions:

1. Each broker or dealer relying upon this exemption must have in its records information specified in paragraphs (a)(5)(i), (a)(5)(viii), (a)(5)(xiv), (a)(5)(xv), and (a)(5)(xvi) of Rule 15c2-11;
2. Two-way bid and ask priced quotations<sup>2</sup> that do not reflect customer indications of interest must have been published during the previous 30 calendar days, with no more than four business days in succession without such quotations,<sup>3</sup> in an interdealer quotation system that displays unsolicited customer indications of interest;
3. The issuer of the security has not been delinquent in any of its reporting obligations under the Exchange Act or rules thereunder for more than 30 days, if subject to Section 10(a) or 15(d) of the Exchange Act;
4. Since the issuer of the security filed its most recent annual report, the issuer has not filed a report with respect to any event included in Item 1 (Changes in Control of Registrant), Item 2 (Acquisition or Disposition of Assets), Item 3 (Bankruptcy or Receivership) Item 4 (Changes in Registrant's Certifying Accountant), or Item 6 (Resignation of Registrant's Directors) of Form 8-K under the Exchange Act;
5. The issuer of the security is not exempt for the registration requirements under Section 12(g) of the Exchange Act pursuant to Rule 12g3-2(b); and
6. The issuer of the security is not the subject of bankruptcy proceedings.

This exemption from Rule 15c2-11 is based solely on the facts and circumstances described above and is strictly limited to the application of Rule 15c2-11 to the quotations described above. The publication or submission of quotations by a broker or dealer in a quotation medium for a security based upon the foregoing exemption should be discontinued if any material change occurs concerning any of those facts or representations. In addition, brokers or dealers are directed to the anti-fraud and anti-manipulation provisions of the Exchange Act, particularly Sections 10(b) and 15(c) and Rules 10b and 15c1-2 thereunder. Responsibility for compliance with these and any other applicable provisions of the federal securities laws must rest with the broker or dealers. We express no view with respect to any other questions that the proposed transactions may raise, including, but not limited to, the applicability of any other federal or state laws to the proposed transactions.

The Commission has proposed amendments to Rule 15c2-11.<sup>4</sup> This exemption may be modified or revoked at any time and will also be superseded by any adopted amendments to Rule 15c2-11.

For the Commission, pursuant  
to delegated authority,

Larry E. Bergmann

Senior Associate Director

---

<sup>1</sup> See Letter to Michael R. Levy, Esq., OTC Compliance Unit, NASD Regulation, Inc. (December 1, 1998).

<sup>2</sup> Two-way priced quotations consist of a bid and offer at specified prices for a security. The bid and offer need not be published by the same broker or dealer.

<sup>3</sup> For example, after a Commission trading suspension pursuant to Section 12(k) under the Exchange Act or Nasdaq trading or quotation halt pursuant to NASD Rule 6545 that lasted for four or more consecutive business days, no broker or dealer could initiate or resume quotations for the subject security unless the broker dealer complied with Rule 15c2-11.

<sup>4</sup> See Securities Exchange Act Release No. 34-4110 (March 8, 1999).