

NASD's Authority to Halt Trading and Quotation Expands to Include All OTC Equity Securities¹

New York, NY - April 12, 2007 - On March 16, 2007, the authority of the National Association of Securities Dealers, Inc. ("NASD") expanded to include all Pink Sheets securities as well as those quoted and traded in the grey market.² Before this date, the NASD only had authority to halt trading and quotations in securities quoted on the OTC Bulletin Board ("OTCBB"). That limited authority was found in NASD Rule 6545, which has been expanded and renumbered Rule 6660.³

Specifically, Rule 6660 expands the scope of NASD authority to initiate trading and quotation halts in all OTC Equity Securities, which includes ADRs and foreign ordinaries that trade and are quoted in the OTC market, securities quoted in quotation media other than the OTCBB, e.g., the Pink Sheets, and other OTC Equity Securities. This expansion allows the NASD to impose its trading and quotation halt authority uniformly to all OTC Equity Securities eliminating the disparity between OTCBB securities and other quotation media. Furthermore, Rule 6660 now authorizes the NASD to impose halts for periods of up to 10 business days, which is greater than the five business days permitted by Rule 6545.

For halts of four or more days, quoting will not automatically resume in a quotation medium until compliance is demonstrated with SEC Rule 15c2-11 and NASD Rule 6640. Typically this involves the approval of a Form 211 by the NASD, which has been filed by a member firm intending to make a market in the securities. In filing a Form 211 the sponsoring market maker must review certain specified information about the issuer. From that review the sponsoring market maker must have a reasonable basis under the circumstances to believe that the issuer information is accurate in all material respects and the sources of such information are reliable.

The NASD also adopted IM-6660-1 to identify certain factors that NASD may consider in determining, at its discretion, the appropriateness of halting trading and quotations in an OTC Equity Security under Rule 6660(a)(3). Subparagraph (a)(3) enables the NASD to impose trading and quotation halts under those extraordinary events that have a material effect on the market for the OTC equity security and have the potential to cause major disruption to the marketplace and/or significant uncertainty in the settlement and clearance process. Due to the general nature of trading and quotation in the OTC equity market, and the fact that NASD lacks a direct contractual relationship with OTC equity issuers, the NASD does not favor imposing a trading halt and thus expects to exercise this authority in very limited circumstances.

Publication of trading and quotation halts will continue to be disseminated/published as they currently are for OTCBB securities, including through NASDAQ MarketWatch and OTCBB.com. In time, our broker-dealer customers will find information on trading and quotation halts of OTC Equity Securities on our Today's Notice page of our OTC Dealer product.

Please refer to NASD NTM 07-09 for a more in depth review of the NASD's new expanded authority. To view the SEC's order, please visit <http://www.sec.gov/rules/sro/nasd/2006/34-54952.pdf> (PDF)

For further information about Rule 6660 or IM-6660-1, please contact us by email at info@pinksheets.com, or contact Michael T. Dorsey, Esq., Managing Director, Trading Services & Compliance at 212-896-4456.

¹The term "OTC Equity Securities" is defined in NASD Rule 6610(d) to mean all non-exchange listed securities and certain exchange listed securities that do not otherwise qualify for real-time trade reporting.

²See Securities Exchange Act Release No. 54952 (Dec. 18, 2006) (File No. SR-NASD-2006-039).

³The Rule 6600 series applies generally to OTC Equity Securities while the Rule 6500 applies only to the NASD's OTC Bulletin Board.