

22. Section 249.638 and Form ATS-R are added to read as follows:

§ 249.638 Form ATS-R, information required of alternative trading systems pursuant to § 242.301(b)(8) of this chapter.

This form shall be used by every alternative trading system to file

required reports under § 242.301(b)(8) of this chapter.

Note: Form ATS-R does not and the amendments will not appear in the Code of Federal Regulations.

OMB APPROVAL

OMB Number: 3235-0509

Expires: 8/31/2001

Estimated Average burden hours per form: 3.5

Form ATS-R—Quarterly Report of Alternative Trading System Activities

BILLING CODE 8010-01-M

FORM ATS-R INSTRUCTIONS

A. GENERAL INSTRUCTIONS

1. Form ATS-R must be filed by alternative trading systems subject to Regulation ATS within 30 days after the end of each calendar quarter, or more frequently upon request of the Securities and Exchange Commission ("SEC" or "Commission"). This Form should be prepared as of the last day of each calendar quarter.
2. **WHEN TO FILE A FORM ATS-R** - File Form ATS-R within 30 calendar days after the end of each calendar quarter in which the alternative trading system has operated after the effective date of Regulation ATS. Also file Form ATS-R within 10 calendar days after an alternative trading system ceases to operate.
3. **CONTACT EMPLOYEE** - The individual listed on page 1 as the contact employee must be authorized to receive all contact information, communications and mailings and be responsible for disseminating that information within the alternative trading system's organization.
4. **FORMAT**
 - Attach the Execution Page (Page 1) with every filing of Form ATS-R.
 - Please type all information.
 - Be sure to note the alternative trading system name, CRD number, SEC file number, and report period dates on each page.
 - Use only the current version of Form ATS-R or a reproduction.
5. **WHERE TO FILE AND NUMBER OF COPIES** - Submit one original and two copies of Form ATS-R to: SEC, Division of Market Regulation, 450 Fifth Street, N.W., Stop 10-2, Washington D.C. 20549.
6. **RECORDKEEPING** - A copy of this Form ATS-R, as well as the forms filed with the SEC, must be retained by the alternative trading system and made available for inspection upon request of the SEC.
7. **PAPERWORK REDUCTION ACT DISCLOSURE**
 - Form ATS-R requires an alternative trading system subject to Regulation ATS to provide the Commission with quarterly reports regarding trading activities.
 - An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. Sections 3(b), 11A(a), 11A(c), 15(c), 17(a), 23(a) and 36(a) authorize the Commission to collect information on this Form ATS from alternative trading systems that are subject to Regulation ATS. See 15 U.S.C. §§78c(b), 78k-1(a), 78k-1(c), 78o(c), 78q(a), 78w(a) and 78mm(a).
 - Any member of the public may direct to the Commission any comments concerning the accuracy of the burden estimate on the facing page of Form ATS-R and any suggestions for reducing this burden.
 - Form ATS-R is designed to enable the Commission to more effectively track the growth and development of alternative trading systems, as well as to more effectively comply with its statutory obligations with respect to alternative trading systems and improve investor protection.
 - It is estimated that an alternative trading system will spend approximately 4 hours completing Form ATS-R.
 - Any member of the public may direct to the Commission any comments concerning the accuracy of this burden estimate and any suggestions for reducing this burden.
 - It is mandatory that an alternative trading system subject to Regulation ATS file quarterly reports on Form ATS-R with the Commission.
 - All reports provided to the Commission on Form ATS-R are deemed confidential and will be available only to the examination of Commission staff, state securities authorities and the self-regulatory organizations. Subject to the provisions of the Freedom of Information Act, 5 U.S.C. 522 ("FOIA"), and the Commission's rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission does not generally publish or make available information contained in any reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of the books and records of any person or any other investigation.
 - This collection of information has been reviewed by the Office of Management and Budget ("OMB") in accordance with the clearance requirements of 44 U.S.C. §3507. The applicable Privacy Act system of records is SEC-2 and the routine uses of the records are set forth at 40 FR 39255 (August 27, 1975) and 41 FR 5318 (February 5, 1976).
8. Only those alternative trading systems subject to the fair access obligations under Rule 301(b)(5) are required to respond to question 7 on Form ATS-R.

23. Section 249.821 and Form PILOT are added to read as follows:

§ 249.821 Form PILOT, information required of self-regulatory organizations operating pilot trading systems pursuant to § 240.19b-5 of this chapter.

This form shall be used by all self-regulatory organizations, as defined in section 3(a)(26) of the Act, (15 U.S.C

78c(a)(26)), to file required information and reports with regard to pilot trading systems pursuant to § 240.19b-5 of this chapter.

Note: Form PILOT does not and the amendments will not appear in the Code of Federal Regulations.

OMB APPROVAL
OMB Number: 3235-0507
Expires: 8/31/2001

Estimated Average burden hours per form: 6

Form PILOT—Initial Operation Report, Amendment to Initial Operation Report and Quarterly Report for Pilot Trading Systems Operated by Self-Regulatory Organizations

BILLING CODE 8010-01-M

FORM PILOT INSTRUCTIONS**A. GENERAL INSTRUCTIONS**

1. Form PILOT is the form a self-regulatory organization ("SRO") files to notify the Securities and Exchange Commission ("SEC" or "Commission") of its intention to operate a pilot trading system pursuant to Rule 19b-5, § 240.19b-5, under the Securities Exchange Act of 1934 ("Exchange Act").

2. **WHEN TO FILE A FORM PILOT** - The SRO must file the initial operation report, Part I of Form PILOT, at least 20 days prior to commencing operation of the pilot trading system. The SRO operating a pilot trading system under Rule 19b-5 must update information reported in Part I of Form PILOT by submitting amendments to the initial operation report at least 20 calendar days prior to implementing a material change to the operation of the pilot trading system as described on Form PILOT or any amendment thereto, other than information reported in Items 3b and 4b on Form PILOT relating to subscribers to, and securities traded on, the pilot trading system. Additionally, the SRO must file Part II of Form PILOT by submitting quarterly reports within 30 calendar days after the end of each calendar quarter in which the pilot trading system has operated after the effective date of Regulation ATS.

3. **CONTACT EMPLOYEE** - The individual listed on page 1 as the contact employee must be authorized to receive all contact information, communications and mailings and be responsible for disseminating that information within the SRO.

4. FORMAT

- Attach an Execution Page (Page 1) with original manual signatures.
- Please type all information.
- Provide the name of the SRO, pilot trading system and the filing date on each page.
- Use only the current version of Form PILOT or a reproduction.

5. **WHERE TO FILE AND NUMBER OF COPIES** - Submit one original and eight copies of Form Pilot to: SEC, Division of Market Regulation, 450 Fifth Street, N.W., Washington D.C. 20549.

6. **RECORDKEEPING** - A copy of this Form PILOT, as well as any amendments thereto filed with the SEC, must be retained by the SRO operating the pilot trading system at its principal place of business and made available for inspection upon request of the SEC.

7. PAPERWORK REDUCTION ACT DISCLOSURE

- Form PILOT requires an SRO intending to operate a pilot trading system pursuant to the temporary exemption under Rule 19b-5 to file certain information about the operation of the pilot trading system and notices of material changes to the pilot trading system. In addition, Form PILOT requires SROs to report transaction volume on the pilot trading system on a quarterly basis.
- An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. Sections 3(a)(26), 3(a)(27), 3(a)(28) 19(b), 23(a) and 36(a) authorize the Commission to collect information on this Form PILOT from SROs. See 15 U.S.C. §§78c(a)(26), 78c(a)(27), 78c(a)(28), 78s(b), 78w(a) and 78mm(a).
- Any member of the public may direct to the Commission any comments concerning the accuracy of the burden estimate on the facing page of Form PILOT and any suggestions for reducing this burden.
- Form PILOT is designed to enable the Commission to determine whether an SRO has properly availed itself of Rule 19b-5, is operating a pilot trading system in compliance with the Exchange Act, and is carrying out its statutory oversight obligations under the Exchange Act.
- It is estimated that an SRO will spend approximately 24 hours completing the initial operation report on Form PILOT pursuant to Rule 19b-5. It is also estimated that each SRO will spend approximately 3 hours to prepare each notice of a material change and approximately 3 hours to prepare quarterly transaction information.
- It is mandatory that an SRO seeking to operate a pilot trading system under Rule 19b-5 file a Form PILOT with the Commission. It is also mandatory that an SRO operating a pilot trading system file notices of material systems changes and quarterly transaction reports on Form PILOT.
- Prior to commencing operations, all reports provided to the Commission on Form PILOT are deemed confidential and will be available only to the examination of Commission staff and state securities authorities. Subject to the provisions of the Freedom of Information Act, 5 U.S.C. 522 ("FOIA") and the Commission's rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission does not generally publish or make available information contained in any reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of the books and records of any person or any other investigation. Once the pilot trading system commences operation, all reports provided to the Commission on Form PILOT will be publicly available as of the operation date provided on Form PILOT or any amendment to Form PILOT.
- This collection of information has been reviewed by the Office of Management and Budget ("OMB") in accordance with the clearance requirements of 44 U.S.C. §3507. The applicable Privacy Act system of records is SEC-2 and the routine uses of the records are set forth at 40 FR 39255 (August 27, 1975) and 41 FR 5318 (February 5, 1976).

FORM PILOT INSTRUCTIONS

B. EXPLANATION OF TERMS

PILOT TRADING SYSTEM - Shall mean any trading system, operated by an SRO, that:

- (1)(i) has been in operation for less than two years; (ii) is independent of any other trading system operated by such self-regulatory organization that has been approved by the Commission pursuant to Section 19(b) of the Exchange Act; (iii) with respect to each security traded on such pilot trading system, during at least two of the last four consecutive calendar months, has traded no more than 5% of the average daily trading volume of such security in the United States; and (iv) with respect to all securities traded on such pilot trading system, during at least two of the last four consecutive calendar months, has traded no more than 20% of the average daily trading volume of all trading systems operated by such self-regulatory organization; or
- (2)(i) has been in operation for less than two years; (ii) with respect to each security traded on such pilot trading system, during at least two of the last four consecutive calendar months, has traded no more than 1% of the average daily trading volume of such security in the United States; and (iii) with respect to all securities traded on such pilot trading system, during at least two of the last four consecutive calendar months, has traded no more than 20% of the average daily trading volume of all trading systems operated by such self-regulatory organization; or
- (3)(i) has been in operation for less than two years; and (ii)(A) satisfied the definition of "pilot trading system" under paragraph (1) above no more than 60 days ago, and continues to be independent of any other trading system operated by such self-regulatory organization that has been approved by the Commission pursuant to Section 19(b) of the Exchange Act; or (B) satisfied the definition of "pilot trading system" under paragraph (2) above no more than 60 days ago.

INVESTMENT GRADE CORPORATE DEBT SECURITIES - Shall mean any security that: (1) evidences a liability of the issuer of such security; (2) has a fixed maturity date that is at least one year following the date of issuance; (3) is rated in one of the four highest ratings categories by at least one Nationally Recognized Statistical Ratings Organization; and (4) is not an exempted security, as defined in §3(a)(12) of the Act (15 U.S.C. 78o).

NON-INVESTMENT GRADE CORPORATE DEBT SECURITIES - Shall mean any security that: (1) evidences a liability of the issuer of such security; (2) has a fixed maturity date that is at least one year following the date of issuance; (3) is not rated in one of the four highest ratings categories by at least one Nationally Recognized Statistical Ratings Organization; and (4) is not an exempted security, as defined in §3(a)(12) of the Act (15 U.S.C. 78o).

DEBT SECURITIES - Shall mean any security other than an equity security, as defined in §240.3a11-1.

EQUITY SECURITIES - Shall have the same meaning as in §240.3a11-1.

GOVERNMENT SECURITIES - Shall have the same meaning as in Exchange Act Section 3(a)(42).

LISTED EQUITY SECURITIES - Shall mean any equity securities that are listed and registered, or admitted to unlisted trading privileges, on a national securities exchange.

LISTED OPTIONS - Shall mean any options traded on a registered national securities exchange or automated facility of a registered national securities association.

MORTGAGE RELATED SECURITIES - Shall have the same meaning as in Exchange Act Section 3(a)(41).

MUNICIPAL SECURITIES - Shall have the same meaning as in Exchange Act Section 3(a)(29).

NASDAQ NATIONAL MARKET SECURITIES - Shall mean any securities designated as Nasdaq National Market Securities by The Nasdaq Stock Market.

NASDAQ SMALLCAP MARKET SECURITIES - Shall mean any securities designated as Nasdaq SmallCap Market Securities by The Nasdaq Stock Market.

PENNY STOCK - Shall have the same meaning as in Exchange Act Section 3(a)(51).

Form PILOT Page 1 Execution Page	U.S. SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 PART I INITIAL OPERATION REPORT, AMENDMENT TO INITIAL OPERATION REPORT, AND QUARTERLY REPORT FOR PILOT TRADING SYSTEMS OPERATED BY A SELF-REGULATORY ORGANIZATION	Date filed (MM/DD/YY):	OFFICIAL USE ONLY
WARNING: Failure to keep this form current and to file accurate supplementary information on a timely basis, or the failure to keep accurate books and records or otherwise to comply with the provisions of law applying to the conduct of pilot trading systems would violate the federal securities laws and may result in disciplinary, administrative or criminal action. INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACTS MAY CONSTITUTE CRIMINAL VIOLATIONS			
<input type="checkbox"/> INITIAL OPERATION REPORT <input type="checkbox"/> AMENDMENT TO INITIAL OPERATION REPORT <input type="checkbox"/> QUARTERLY REPORT			
1. Exact name, principal business address, mailing address, if different, and telephone number of pilot trading system:			
A. Name of the SRO filing Form PILOT: _____ C. File No. PILOT- _____			
B. Full Name of pilot trading system: _____			
D. If this filing makes a name change on behalf of the pilot trading system, enter the previous name. Previous name: _____			
E. Pilot trading system's business address (Do not use a P.O. Box): _____ _____			
F. Business telephone and facsimile number: _____ (Telephone) _____ (Facsimile)			
G. Contact employee: _____ (Name and Title) _____ (Telephone Number) _____ (Facsimile)			
2. If this is an initial operation report, the date the SRO expects to commence operation of the pilot trading system: Operation Date: _____			
EXECUTION: The SRO consents that service of any civil action brought by, or notice of any proceeding before, the SEC in connection with the pilot trading system's activities may be given by registered or certified mail, or confirmed telegram, to the pilot trading system's contact employee at the business address given in Item 1E. The undersigned, being first duly sworn, deposes and says that he/she has executed this form on behalf of, and with the authority of, said SRO. The undersigned and the SRO represent that the information and statements contained herein, including exhibits, schedules, or other documents attached hereto, and other information filed herewith, all of which are made a part hereof, are current, true and complete.			
Date: _____ (MM/DD/YY) _____ (Name of SRO)			
By: _____ (Signature) _____ (Printed Name and Title)			
Subscribed and sworn before me this _____ day of _____, _____ by _____ (Notary Public)			
My Commission expires _____ County of _____ State of _____			
This page must always be completed in full with original, manual signature and notarization. Affix notary stamp or seal where applicable.			
DO NOT WRITE BELOW THIS LINE - FOR OFFICIAL USE ONLY			

Form PILOT Page 2	U.S. SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 PART I INITIAL OPERATION REPORT, AMENDMENT TO INITIAL OPERATION REPORT, AND QUARTERLY REPORT FOR PILOT TRADING SYSTEMS OPERATED BY A SELF-REGULATORY ORGANIZATION (to be filed at least 20 calendar days prior to commencing operation)	OFFICIAL USE	OFFICIAL USE ONLY
SRO name: _____ Pilot trading system name: _____ Filing date: _____			
<p>3. Attach as Exhibit A:</p> <p>a. A description of classes of members trading on the pilot trading system, and any persons to whom those members provide access to trading on the pilot trading system. Also describe any differences in access to the services offered by the pilot trading system to different classes of members.</p> <p>b. A list of the members, by name, or if this is an initial operation report, a list of the anticipated members who may trade on the pilot trading system.</p> <p>4. Attach as Exhibit B:</p> <p>a. A list of the types of securities the pilot trading system trades (for example, debt, equity, listed, Nasdaq NM), or if this is an initial operation report, the types of securities it expects to trade. Note whether any types of securities are not registered under Section 12(a) of the Exchange Act.</p> <p>b. A list of the securities the pilot trading system trades, or if this is an initial operation report, the securities the SRO expects to trade on the pilot trading system. Note whether any securities are not registered under Section 12(a) of the Exchange Act.</p> <p>5. Attach as Exhibit C, the name, address, and telephone number of counsel for the pilot trading system.</p> <p>6. Attach as Exhibit D, the name of any entity, other than the SRO, that will be involved in the operation of the pilot trading system, including the execution, trading, clearing and settling of transactions on behalf of the SRO. Provide a detailed description of the role and responsibilities of each entity.</p> <p>7. Attach as Exhibit E, the following information:</p> <p>a. The manner of operation of the pilot trading system;</p> <p>b. Procedures governing entry of orders into the pilot trading system;</p> <p>c. The SRO's means of granting access to the pilot trading system;</p> <p>d. The procedures governing execution, reporting, clearance and settlement of transactions effected through the pilot trading system;</p> <p>e. The procedures for ensuring compliance with system guidelines;</p> <p>f. A copy of the pilot trading system's manual and any other materials provided to members trading on the pilot trading system; and</p> <p>g. A copy of the agreement between the SRO and members trading on the pilot trading system, and, if applicable, any agreement between members and those persons members provide access to trading on the pilot trading system.</p> <p>8. Attach as Exhibit F, a brief description of the SRO's procedures for reviewing capacity, security and contingency planning with respect to the pilot trading system.</p>			

Form PILOT Page 3	U.S. SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Part II INITIAL OPERATION REPORT, AMENDMENT TO INITIAL OPERATION REPORT, AND QUARTERLY REPORT FOR PILOT TRADING SYSTEMS OPERATED BY A SELF-REGULATORY ORGANIZATION	OFFICIAL USE	OFFICIAL USE ONLY
SRO name: _____ Pilot trading system name: _____ Period covered in this report: _____ to _____			
9. Provide the total unit and dollar volume of transactions in the following securities. For securities reported in Item 9. J. through 9. O, report total settlement value in U.S. dollars. Enter "None," "N/A" or "0" where appropriate.			
<i>Category of Securities</i>	<i>Total Unit Volume of Transactions</i>	<i>Total Dollar Volume of Transactions</i>	
A. Listed Equity Securities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
B. Nasdaq National Market Securities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
C. Nasdaq SmallCap Market Securities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
D. Equity securities issued pursuant to Rule 144A of the Securities Act of 1933	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
E. Penny Stock, other than any securities included in Items 9A-9D above	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
F. Other equity securities not included in Items 9A-9E above	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
G. Rights and warrants	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
H. Listed options	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
I. Unlisted options	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
J. Investment-grade corporate debt securities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
K. Non-investment-grade corporate debt securities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
L. Government securities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
M. Municipal securities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
N. Mortgage related securities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
O. Debt securities other than any securities included in Items 9J - 9N above	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	
10. A. List the types of equity securities reported in Item 9O above: _____ _____			
B. List the types of debt reported in Item 9O above: _____ _____			
DO NOT WRITE BELOW THIS LINE - FOR OFFICIAL USE ONLY			

By the Commission.

Dated: December 8, 1998.
Margaret H. McFarland,
Deputy Secretary.
 [FR Doc. 98-33299 Filed 21-21-98; 8:45 am]
 BILLING CODE 8010-01-C