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**SEC: NASD Probe May Conclude This Summer**

By ROB WELLS, AP Business Writer

WASHINGTON - The Securities and Exchange Commission's investigation of the Nasdaq Stock Market and its parent company could be concluded by the end of the summer, officials said Thursday.

Outcome of the case remains in question as SEC's enforcement staff considers its findings and continues negotiations with the National Association of Securities Dealers Inc., a self-policing organization that supervises 513,000 brokers and owns Nasdaq.

A spokesman for SEC Chairman Arthur Levitt said the nation's top regulator would be surprised if the agency's investigation isn't wrapped up by the end of August. Levitt was traveling and couldn't be reached for comment.

William McLucas, the SEC's enforcement director, said of an August deadline: "It's certainly a reasonable expectation."

The SEC's investigation began in November 1994, after the Department of Justice opened a probe of possible collusion in the over-the-counter stock market, which includes Nasdaq. The SEC's investigation is broad, not only encompassing allegations of a form of price fixing but also the NASD's policing of the market and handling of customer stock orders.

The government investigations were partly driven by academic studies that show the gap between the buy and sale price of Nasdaq-listed stocks is much wider than that of comparable stocks listed on the New York Stock Exchange.

That price gap, known as the "spread," represents a major portion of the dealers' profit. Critics argue dealers want to keep spreads wide in order to make more money on trades. The dealers and Nasdaq officials strongly deny the charges. They defend the market as highly competitive and say the bigger price gap results from Nasdaq's different market structure.

In September 1995, the SEC unveiled a major rule proposal that would alter the handling of Nasdaq customer orders, requiring customer limit orders to be included in the prices quoted on Nasdaq or other exchanges.

A limit order is an investor's request to buy or sell stocks at a specific price, not just the going market price. The SEC argues including limit orders within Nasdaq quotes could narrow the spread between the buy and sell prices of a stock.

Another proposal would open up dealings on private computerized trading networks where many Nasdaq stocks are bought and sold.

One person familiar the investigation, who spoke on condition of anonymity, said it's unclear if these rules and any enforcement action against the NASD's regulatory activities would be wrapped up at the same time.

"There's some logic to doing them at the same time," the source said. Another source also familiar with investigations said the SEC has a better case concerning the order handling on Nasdaq rather than against the NASD's regulatory activities.

Sources declined to speculate about what penalty, if any, the SEC might bring against the NASD.

"The SEC can do whatever it wants to do on this one," one source said.

The NASD has enacted several major reforms, based on a study produced by former Sen. Warren Rudman, R-N.H. It brought in a respected regulator, former SEC Commissioner and Commodity Futures Trading Commission Chair Mary Schapiro, to lead a revamped regulatory arm, and appointed a new board of directors to oversee the policing unit. Schapiro last month announced plans to spend several million to hire 131 new staff members, including attorneys and examiners.

Levitt believes the NASD has made constructive changes, especially with its new boards of directors, according to SEC spokesman Michael Jones.

NASD spokesman Marc Beauchamp declined comment on the SEC probe.