

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-54471; File No. SR-NASD-2006-081)

September 19, 2006

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change to Adopt New NASD Rule 5150 Relating to Trade-Throughs

On July 11, 2006, the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to adopt a new NASD rule relating to trade-throughs. The proposed rule change was published for comment in the Federal Register on July 27, 2006.<sup>3</sup> The Commission received no comment letters on the proposal.

Proposed rule NASD Rule 5150 would require an NASD member that is registered as a market maker with the Nasdaq Stock Market LLC (“Nasdaq Exchange”) in an ITS Security<sup>4</sup> to comply with the provisions of NASD Rule 5262 relating to trade-throughs with respect to that security for trades reported to the NASD. Accordingly, the NASD’s proposed rule will not take effect until the Nasdaq Exchange begins operations as an exchange in such securities.<sup>5</sup> The proposed rule further defines the term “block transaction” for purposes of the rule.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 54186 (July 20, 2006), 71 FR 42698.

<sup>4</sup> The term “ITS Security” is defined in NASD Rule 5210(c) as “any security which may be traded through the [ITS] System by an ITS/CAES Market Maker.”

<sup>5</sup> See Securities Exchange Act Release No. 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006); and 54085 (June 30, 2006), 71 FR 38910 (July 10, 2006). Currently, the Nasdaq Exchange operates as a national securities exchange for securities listed on the Nasdaq Exchange and reported to the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities on Exchanges on an Unlisted Trading Privileges Basis (“Nasdaq-Listed Securities”).

The Commission finds that the proposed rule change is consistent with the requirements of Section 15A of the Act,<sup>6</sup> in general, and with Section 15A(b)(6) of the Act,<sup>7</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest. Proposed NASD Rule 5150 will maintain, after the Nasdaq Exchange begins operations as a national securities exchange for ITS Securities, the application of the NASD's trade-through rule, Rule 5162, to NASD members that are also Nasdaq market makers in ITS Securities to the extent such market makers report transactions in ITS Securities to the NASD.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-NASD-2006-081) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Nancy M. Morris  
Secretary

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<sup>6</sup> 15 U.S.C. 78o-3.

<sup>7</sup> 15 U.S.C. 78o-3(b)(6).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> 17 CFR 200.30-3(a)(12).