

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55180; File No. SR-NASD-2007-004)

January 26, 2007

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of a Proposed Rule Change to Amend NASD Rule 7010(k) Relating to Transaction Reporting and Compliance Engine Transaction Data

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 16, 2007, the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASD is proposing to amend NASD Rule 7010(k) relating to Transaction Reporting and Compliance Engine (“TRACE”) transaction data to offer the ability to receive, for a reduced fee, a “snapshot” of real-time TRACE transaction data (“TRACE data”) once each day rather than continuously throughout the day.

The text of the proposed rule change is available on NASD’s Web site at <http://www.nasd.com/RulesRegulation/RuleFilings/2007RuleFilings/index.htm>, at NASD’s principal office, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASD included statements concerning the purpose of,

¹ 15 U.S.C. 78s(b)(1).

and basis for, the proposed rule change and discussed any comments it received on the proposal. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NASD proposes to amend its Rule 7010(k) to lower the fee related to the receipt of TRACE data by persons opting to receive the data once a day ("Snapshot TRACE data") rather than on a continuous basis. Specifically, NASD is proposing to amend Rule 7010(k)(3)(A)(ii) to provide persons that choose to receive Snapshot TRACE data ("Snapshot TRACE data Subscribers") the option of paying \$250 per month for the receipt of Snapshot TRACE data rather than paying \$1,500 per month to receive TRACE data continuously throughout the day as is the case today. A Snapshot TRACE data Subscriber would be able to choose the specific time of day it would receive Snapshot TRACE data each day, and NASD expects that many institutional Snapshot TRACE data Subscribers would choose to receive Snapshot TRACE data at or shortly after 4:00 p.m. (Eastern Standard Time) each day and use it to value certain positions held in their investment portfolios.

Today, NASD's TRACE data dissemination, and the fees charged for it, contemplates only continuous intra-day dissemination of TRACE data.³ However, based on discussions with certain TRACE data vendors and institutional market participants, NASD believes that an

² 17 CFR 240.19b-4.

³ NASD has proposed adding the phrase "receipt of continuous" to the text of Rule 7010(k)(3)(a)(ii) that today sets forth the \$1,500 per month fee for TRACE data to further

additional program of single intra-day or end-of-day price dissemination also would be useful. This is especially true for those institutional investors that need only one price per security per day to assign a value to a particular position. Transaction data for these types of position valuation purposes typically has been made available through vendor services such as IDC and the Reuters Pricing Service. Vendors usually charge for pricing requests for securities held in individual portfolios either on a per-CUSIP basis or for a fixed monthly fee for a specified group of securities.

NASD believes, based on conversations its staff has undertaken with certain vendors of TRACE data and certain institutional market participants, that the current price charged to persons receiving TRACE data continuously throughout the day (\$1,500 per month) is unnecessarily expensive for persons that would like to exclusively use TRACE data to value portfolio positions. In this regard, NASD notes that, to date, no institutional market participants have subscribed for the receipt of TRACE data continuously throughout the day.

If the proposed rule change is approved by the Commission, NASD intends to work with third-party “Retransmission Vendors” that would redistribute Snapshot TRACE data to Snapshot TRACE data Subscribers. As is the case today with the distribution of TRACE data to desktop display applications, NASD does not intend to develop its own capabilities to distribute Snapshot TRACE data directly to Snapshot TRACE data Subscribers.

NASD believes that the proposed fee of \$250 per month for Snapshot TRACE data is reasonable, particularly as it is a charge more in line with what NASD perceives to be the more tailored information requirements of a subset of institutional market participants that today are foregoing TRACE data at the higher costs per month for continuous data.

clarify the distinction between the current and proposed frequency of delivery of TRACE

NASD would announce the effective date of the proposed rule change in a Notice to Members to be published no later than 60 days following Commission approval, if approval is given. The effective date would be not later than 45 days following publication of the Notice to Members announcing Commission approval.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD rules must be 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 and Section 15A(b)(5) of the Act, which requires, among other things, that NASD rules provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system that NASD operates or controls. NASD believes that offering Snapshot TRACE data for a reduced charge should result in more persons subscribing to receive TRACE data with a concomitant increase in market transparency resulting from the wider dissemination and use of TRACE data.

B. Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

data to persons subscribing to receive such data.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which NASD consents, the Commission will:

- (A) by order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2007-004 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASD-2007-004. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the

submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of NASD. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASD-2007-004 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Florence E. Harmon
Deputy Secretary

⁴ 17 CFR 200.30-3(a)(12).