

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56321; File No. SR-FINRA-2007-003)

August 24, 2007

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend NASD Rules 4632C, 6130C and 6130

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 August 3, 2007, the Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a 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 FINRA. FINRA has designated the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder,⁴ which rendered the proposal effective upon filing with the Commission. 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

FINRA proposes to amend NASD Rules 4632C and 6130C relating to the NASD/NSX Trade Reporting Facility (the “NASD/NSX TRF”) to reflect certain changes in the facility’s functionality and to conform, to the extent practicable, to the trade reporting rules relating to FINRA’s other Trade Reporting Facilities (the “TRFs”).⁵ FINRA also is proposing to amend

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ Effective July 30, 2007, FINRA was formed through the consolidation of NASD and the member regulatory functions of NYSE Regulation. Accordingly, the NASD/NSX TRF is

NASD Rule 6130(a) to clarify that the NASD/Nasdaq Trade Reporting Facility (the “NASD/Nasdaq TRF”) and the OTC Reporting Facility will compare and submit to the National Securities Clearing Corporation (“NSCC”) trades reported as other than regular way settlement.

The text of the proposed rule change is available at the FINRA, the Commission’s Public Reference Room, and <http://www.finra.org>.

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

In its filing with the Commission, FINRA included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA 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

The TRFs,⁶ including the NASD/NSX TRF, provide members mechanisms for reporting trades in exchange-listed securities executed otherwise than on an exchange. Currently, the functionality offered by the NASD/NSX TRF differs from the functionality offered by some of the other TRFs and, as a result, the rules relating to the NASD/NSX TRF differ from the rules relating to the other TRFs. Specifically, pursuant to NASD Rule 4632C(a)(8), the NASD/NSX

now doing business as the FINRA/NSX TRF. The formal name change of each TRF is pending and once completed, FINRA will file a separate proposed rule change to reflect those changes in the Manual.

⁶ In addition to the NASD/NSX TRF, there are three other TRFs in operation: the NASD/Nasdaq TRF, the NASD/BSE Trade Reporting Facility (the “NASD/BSE TRF”) and the NASD/NYSE Trade Reporting Facility (the “NASD/NYSE TRF”). As noted in footnote 5 above, the formal name change of each TRF is pending.

TRF does not accept trade reports for Stop Stock Transactions (as such term is defined in Rule 4200C), transactions occurring at prices based on average-weighting or other special pricing formulae or transactions that reflect a price different from the current market when the execution price is based on a prior reference point in time. In addition, pursuant to NASD Rule 6130C(a), the NASD/NSX TRF does not accept trades reported as other than regular way settlement (i.e., Cash, Next Day and Seller's Option). Under the current rules, members must use an alternative electronic mechanism to report these transactions to FINRA.

FINRA is proposing to expand the NASD/NSX TRF's functionality such that members will be able to report the above-described transactions to the NASD/NSX TRF. FINRA is proposing to amend NASD Rules 4632C and 6130C to reflect this change in functionality and conform, to the extent practicable, the NASD/NSX TRF rules to the rules relating to the other TRFs.

FINRA also is proposing to amend NASD Rule 6130(a) to clarify that the "System" (defined in Rule 6110 to include the NASD/Nasdaq TRF and the OTC Reporting Facility) will compare and submit to NSCC trades reported as other than regular way settlement. This amendment is consistent with current practice and reflects recent changes in the way that such trades are processed by NSCC.⁷ Additionally, this amendment conforms the text of NASD Rule 6130(a) to the text of amended NASD Rule 6130C(a), to the extent practicable.⁸

⁷ See Securities Exchange Release No. 54816 (November 27, 2006), 71 FR 69604 (December 1, 2006) (order approving SR-NSCC-2006-09).

⁸ The corresponding rules relating to the other TRFs differ in this regard. NASD Rule 6130D(a) provides that trades reported as other than regular way settlement will not be accepted by the NASD/BSE TRF. NASD Rule 6130E(a) provides that trades reported as other than regular way settlement will be accepted by the NASD/NYSE TRF, but will not be submitted to clearing. The NASD/NYSE TRF will not submit any trades (including regular way settlement trades) to clearing; members must have a Qualified Service

FINRA has filed the proposed rule change for immediate effectiveness. FINRA will announce the operative date of the proposed rule change on its Web site, which date will be at least 30 days after the date of filing.

2. Statutory Basis

FINRA believes that its proposal is consistent with the provisions of Section 15A(b)(6) of the Act,⁹ which requires, among other things, that FINRA rules 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. FINRA believes that the proposed rule change is in the public interest and appropriate for the maintenance of fair and orderly markets because it will provide members another mechanism to report the types of trades described above with the necessary regulatory information.

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

FINRA does not believe that the proposed rule change will 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

No written comments were either solicited or received.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder,¹¹ because the foregoing proposed rule does not: (i)

Representative ("QSR") agreement or similar arrangement in place to clear trades submitted to the NASD/NYSE TRF.

⁹ 15 U.S.C. 78o-3(b)(6).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. FINRA believes that the proposed rule change is appropriately designated as a “non-controversial” rule change because the proposal is substantially similar to the trade reporting requirements for the other TRFs.¹²

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.¹³

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-FINRA-2007-003 on the subject line.

¹¹ 17 CFR 240.19b-4(f)(6). Rule 19b-4(f)(6) also requires the self-regulatory organization to give the Commission notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. FINRA has satisfied the five-day pre-filing requirement.

¹² See, e.g., NASD Rules 4632 and 6130 (relating to the NASD/Nasdaq TRF), 4632D and 6130D (relating to the NASD/BSE TRF) and 4632E and 613E (relating to the NASD/NYSE TRF).

¹³ See 15 U.S.C. 78s(b)(3)(C).

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-FINRA-2007-003. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of FINRA. 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-FINRA-2007-003 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.¹⁴

Nancy M. Morris
Secretary

¹⁴ 17 CFR 200.30-3(a)(12).