

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53818; File No. SR-NASD-2006-062)

May 17, 2006

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Reflect the Revised Effective Date of Certain Amendments to NASD's Order Audit Trail System Rules

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 May 15, 2006, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. NASD has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule under Section 19(b)(3)(A)(i) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ which renders the proposal effective upon receipt of this filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

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

NASD is proposing to amend Rule 6957(c) to reflect July 10, 2006 as the effective date for the Order Audit Trail System ("OATS") reporting requirements for manual orders on an immediately effective basis.⁵

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in [brackets].⁶

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6950. Order Audit Trail System

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6957. Effective Date

The requirements of the Order Audit Trail System shall be effective in accordance with the following schedule:

(a) and (b) No Change.

(c) **Manual Orders**

The requirements of the Order Audit Trail System shall be effective on July 10, 2006[120 days after SEC approval of SR-NASD-00-23,] for all manual orders, provided

⁵ The SEC recently approved amendments to the NASD Rule 6950 Series ("OATS Rules") relating to OATS. See Securities Exchange Act Release No. 52521 (September 28, 2005), 70 FR 57909 (October 4, 2005). See also Notice to Members 05-78 (November 2005). NASD recently filed a proposed rule change for immediate effectiveness that extends the effective date of these amendments to the OATS Rules until July 10, 2006. See SR-NASD-2006-052. See also Notice to Members 06-17 (April 2006).

⁶ In addition, the instant filing is proposing changes to the current text of NASD Rule 6957 to accurately reflect the requirements of the rule that will be in effect beginning July 10, 2006. See *supra* note 5. As part of SR-NASD-2006-052, NASD is amending NASD Rule 6957(c) to make it identical to the proposed changes in this filing.

that firms shall be required to report information item (18) specified in Rule 6954(b) only to the extent such item is available to them[and shall not be required to record and report information items (4) and (5) specified in Rule 6954(b) and information item (1) specified in Rule 6954(c)].

(d) No Change.

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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 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. 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 is proposing to amend NASD Rule 6957(c) to reflect July 10, 2006 as the effective date for the OATS reporting requirements for manual orders. On September 28,

2005, the SEC approved amendments to the OATS Rules which, among other things,⁷ implement the OATS reporting requirements for manual orders.⁸ On April 20, 2006, NASD filed a proposed rule change for immediate effectiveness that extends the effective date of these recent amendments to the OATS Rules until July 10, 2006.⁹ In doing so, NASD, among other things, amended NASD Rule 6957(c) relating to the effective date for manual orders to reflect the revised effective date.

Because these changes to NASD Rule 6957(c) will not be incorporated into the NASD manual until July 10, 2006, NASD is proposing to amend NASD Rule 6957(c) to reflect the new implementation date on an immediately effective basis and make the effective date of the OATS requirements for manual orders transparent in the current

⁷ These amendments to the OATS Rules also: (1) provide that members are required to capture and report the time the order is received by the member from the customer for all orders; (2) expand the order transmittal requirements to include orders routed to a member's trading desk or trading department; (3) exclude certain members from the definition of "Reporting Member" for those orders that meet specified conditions and are recorded and reported to OATS by another member; and (4) permit NASD to grant exemptive relief from the OATS requirements in certain circumstances to members that meet specified criteria. In SR-NASD-2006-052, NASD revised the effective date of these amendments to the OATS Rules to July 10, 2006. See SR-NASD-2006-052. See also Notice to Members 06-17 (April 2006).

⁸ See supra note 5.

⁹ Id.

version of the NASD Rules.¹⁰

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹¹ which requires, among other things, that NASD 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. NASD believes that the proposed rule change will provide transparency regarding the effective date of the OATS reporting requirements for manual orders.

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

NASD does not believe that the proposed rule change will result in 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.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)

¹⁰ NASD also is proposing to amend the rule text to reflect certain technical amendments to NASD Rule 6957(c) to clarify that the OATS order information required under NASD Rules 6954(b)(4) and (5) and the OATS transmittal requirements under NASD Rule 6951(c)(1) apply to manual orders. These technical amendments were approved by Commission in SR-NASD-00-23. See Securities Exchange Act Release No. 52521 (September 28, 2005), 70 FR 57909 (October 4, 2005).

¹¹ 15 U.S.C. 78q-3(b)(6).

of the Act¹² and paragraph (f)(1) of Rule 19b-4 thereunder,¹³ in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of NASD. 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.

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-2006-062 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.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(1).

All submissions should refer to File Number SR-NASD-2006-062. 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 No. SR-

NASD-2006-062 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).