

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53977; File No. SR-NASD-2006-055)

June 12, 2006

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Granting Approval of a Proposed Rule Change To Require Members To Report All Transactions that Must Be Reported to NASD and Are Subject to a Regulatory Transaction Fee to the Nasdaq Market Center and/or the Trade Reporting and Comparison Service

On April 21, 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”)¹ and Rule 19b-4 thereunder,² a proposed rule change to require NASD members to report all transactions that must be reported to NASD and that are subject to a regulatory transaction fee pursuant to Section 3 of Schedule A to the NASD By-Laws (“Section 3”) to the Nasdaq Market Center (“NMC”) and/or the Trade Reporting and Comparison Service (“TRACS”). The proposed rule change was published for comment in the Federal Register on May 8, 2006.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

Currently, NASD obtains funds to pay its Section 31 fees and assessments from its membership, in accordance with Section 3. Further, NASD represents that most of the transactions that are assessed a fee under Section 3 are subject to automated reporting to NMC or TRACS pursuant to NASD trade reporting rules. NASD member firms, however, currently are required to manually self-report covered sales that are odd lots, away-from-the-market sales, and exercises of OTC options.

NASD represents that the current self-reporting process has allowed NASD to meet its

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 53748 (May 2, 2006), 71 FR 26795.

obligations under Section 31 of the Act.⁴ However, there have been instances when some NASD members have filed their self-reporting forms late or amended previous forms in later months to include additional covered sales volume. NASD has now proposed to require automated reporting, to NMC or TRACS, of these additional types of covered sales, so that all covered sales that must be reported for purposes of Section 3 are reported in an automated fashion. NASD also has proposed to establish separate modifiers for reports of covered sales that are odd lots, away-from-the-market sales, and exercises of OTC options. NASD would not print these transactions to the Consolidated Tape.

NASD will announce the effective date of the proposed rule change in a Notice to Members to be published no later than 60 days following this approval order. The effective date would be at least 90 days following publication of the Notice to Members announcing Commission approval to allow firms sufficient time to make any necessary systems changes.

The Commission finds that the proposed rule change is consistent with the requirements of Section 15A of the Act,⁵ and the rules and regulations thereunder applicable to a national securities association.⁶ In particular, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act,⁷ which requires, among other things, that NASD's 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. The proposal should improve the efficiency, accuracy, and timeliness of NASD trade reporting by

⁴ 15 U.S.C. 78ee.

⁵ 15 U.S.C. 78o-3.

⁶ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78o-3(b)(6).

requiring automated reporting of certain types of transactions that currently are manually reported to NASD and is, therefore, reasonable and consistent with the Act.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-NASD-2006-055) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Nancy M. Morris
Secretary

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).