

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-53982; File No. SR-NASD-2006-063)

June 14, 2006

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Fee for Extension of Time Requests

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> 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. On May 25, 2006, NASD filed Amendment No. 1 to the proposed rule change.<sup>3</sup> NASD has designated this proposal as one establishing or changing a due, fee, or other charge under Section 19(b)(3)(A)(ii) of the Act<sup>4</sup> and Rule 19b-4(f)(2) thereunder,<sup>5</sup> which renders the proposal effective upon filing with Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

NASD is proposing to amend Section 8 of Schedule A to NASD’s By-Laws to

---

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

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

<sup>3</sup> In Amendment No. 1, NASD made non-substantive changes to the discussion of the purpose of the proposed rule filing.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>5</sup> 17 CFR 240.19b-4(f)(2).

increase the service charge for processing extension requests to \$4.00 per request. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

\* \* \* \* \*

## SCHEDULE A TO NASD BY-LAWS

\* \* \* \* \*

### Section 8 — Service Charge for Processing Extension of Time Requests

(a) No Change.

(b) The service charge for processing each initial extension of time request and for all subsequent extension of time requests (1) involving the same transaction under Regulation T and/or (2) involving an extension of time previously granted pursuant to SEC Rule 15c3-3(n) shall be [\$2.00; provided, however, that the service charge shall be \$1.00 for extension of time requests filed electronically by members using NASD's Automated Regulatory Reporting System]\$4.00 per request.

\* \* \* \* \*

## 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

Regulation T, issued by the Board of Governors of the Federal Reserve System (“FRB”) pursuant to the Act, among other things, governs the extension of credit to customers by broker-dealers for purchasing securities.<sup>6</sup> Rule 15c3-3 under the Act governs, among other things, the time period in which broker-dealers must complete sell orders on behalf of customers.<sup>7</sup> Under SEC Rule 15c3-3(n), a self-regulatory organization (“SRO”) may grant a broker-dealer an extension of time for delivery on sales of securities if: (1) it is satisfied that the broker-dealer is acting in good faith in making the application; and (2) exceptional circumstances warrant such action. Regulation T has a similar standard to allow an extension of time for payment for purchases of securities.<sup>8</sup>

NASD proposes to amend Section 8 of Schedule A to NASD’s By-Laws to increase the service charge for processing each extension of time request pursuant to the provisions of Regulation T and Rule 15c3-3 from \$2 (or \$1 in the case of electronically

---

<sup>6</sup> 12 CFR 220.4(c) and 220.8(d). Regulation T generally requires that customers with a cash account pay for securities within five business days of purchase; for customers with a margin account, there must be sufficient minimum margin (typically 50%) to support the purchase.

<sup>7</sup> 17 CFR 240.15c3-3. In particular, Rule 15c3-3(m) requires a broker-dealer that executes a customer sell order to obtain possession of the securities within ten business days of the settlement date or to close the transaction by purchasing the securities.

<sup>8</sup> Under Regulation T, a firm’s examining authority may grant an extension unless the examining authority believes that the broker-dealer is not acting in good faith or that the broker-dealer has not sufficiently determined that exceptional circumstances warrant such action. See supra note 6.

filed extension of time requests) to \$4 for all manually or electronically filed extension of time requests. NASD believes that the proposed fees align with the actual costs associated with reviewing, processing, recording and responding to such requests. The NYSE similarly increased the fee it charges for extension requests to \$4.00 per extension.<sup>9</sup>

NASD has filed the proposed rule change for immediate effectiveness. The new fee shall be implemented on July 1, 2006.

## 2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,<sup>10</sup> which requires, among other things, that NASD's 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 the rule change reflects NASD's increased costs in reviewing, processing and administering the extensions of time requests.

### 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.

---

<sup>9</sup> See Exchange Act Release No. 53235 (Feb. 6, 2006), 71 FR 7820 (Feb. 14, 2006) (SR-NYSE-2005-92) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change and Amendment No. 1 Thereto Relating to Increasing Certain Fees Charged by the NYSE to Its Members and Member Organizations).

<sup>10</sup> 15 U.S.C. 78o-3(b)(5).

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 is effective upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(2) thereunder,<sup>12</sup> because it establishes or changes a due, fee, or other charge imposed by 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.<sup>13</sup>

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

---

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

<sup>13</sup> The effective date of the original proposed rule change is May 15, 2006, and the effective date for Amendment No. 1 is May 25, 2006. For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on May 25, 2006, the date on which NASD submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(A).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASD-2006-063 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-2006-063. 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-2006-063 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.<sup>14</sup>

Nancy M. Morris  
Secretary

---

<sup>14</sup> 17 CFR 200.30-3(a)(12).