

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54773; File No. SR-NASD-2006-120)

November 17, 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 to Extend the Hours of Operation of the NASD/Nasdaq TRF, the OTC Reporting Facility and the Trade Reporting of Non-Nasdaq Exchange-Listed Securities Under the NASD Rule 6400 Series

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 October 27, 2006, 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 prepared by NASD. On November 3, 2006, NASD filed Amendment No. 1. NASD filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder,⁴ which renders it effective upon filing with the Commission.⁵ 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 proposes to extend the hours of operation of (1) the Trade Reporting

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 For purposes of calculating the 60-day abrogation period, the Commission considers the period to have commenced on November 3, 2006, the date NASD filed Amendment No. 1.

Facility established by NASD and the Nasdaq Stock Market, Inc. (“NASD/Nasdaq TRF”);⁶ (2) the trade reporting of non-Nasdaq exchange-listed securities under the NASD Rule 6400 Series; and (3) the trade reporting of OTC Equity Securities to the OTC Reporting Facility (“ORF”)⁷ under the NASD Rule 6600 Series, until 8:00 p.m. Eastern Time (“ET”). The text of the proposed rule change is available at NASD, on the NASD Web site at www.nasd.com, and at the Commission’s Public Reference Room.⁸

⁶ During the initial transitional period, the NASD/Nasdaq TRF is used to report transactions executed otherwise than on an exchange in all Nasdaq Global Market, Nasdaq Capital Market securities and convertible bonds listed on Nasdaq. See NASD Rule 4000 Series and 6100 Series. NASD filed a separate proposed rule change to expand the scope of the NASD/Nasdaq TRF rules to include trade reporting in non-Nasdaq exchange-listed securities. See Securities Exchange Act Release No. 54451 (September 15, 2006), 71 FR 55243 (September 21, 2006)(SR-NASD-2006-104).

⁷ For purposes of the NASD Rule 6600 Series, the ORF is the service provided by NASD that accommodates reporting and dissemination of last sale reports in OTC Equity Securities. Regarding those OTC Equity Securities that are not eligible for clearance and settlement through the facilities of the National Securities Clearing Corporation, the ORF comparison function is not available. However, the ORF supports the entry and dissemination of last sale data on such securities. See NASD Rule 6610(k).

⁸ NASD has proposed changes to NASD Rule 4623(e), among other NASD rules, in SR-NASD-2006-104, which is currently pending at the Commission. See Securities Exchange Act Release No. 54451 (September 15, 2006), 71 FR 55243 (September 21, 2006). Those proposed changes include the insertion of “NASD/Nasdaq” before each reference to the Trade Reporting Facility in NASD Rule 4632, which also is reflected in the proposed rule text. Further, the Commission has approved changes to NASD Rules 4632(e), 6420 (e) and 6620(e) in SR-NASD-2006-055, which becomes effective on December 1, 2006. See Securities Exchange Act Release No. 53977 (June 12, 2006), 71 FR 34976 (June 16, 2006)(SR-NASD-2006-055)(approval order). Lastly, the Commission also has approved changes to NASD Rule 6420, among others, in SR-NASD-2006-091, which is scheduled to become effective on February 5, 2007. See Securities Exchange Act Release No. 54537 (September 28, 2006), 71 FR 59173 (October 6, 2006). Upon the implementation of SR-NASD-2006-091, the requirements in NASD Rule 6420, among others, will no longer be necessary as they will be incorporated directly into NASD’s Alternative Display Facility rules.

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

On June 30, 2006, the Commission approved SR-NASD-2005-087, which amended certain NASD rules to reflect separation of The Nasdaq Stock Market, Inc. from NASD upon the operation of the Nasdaq Stock Market LLC as a national securities exchange.⁹ As part of SR-NASD-2005-087, the Commission approved the establishment of, and rules governing, the NASD/Nasdaq TRF, which currently provides members another mechanism for reporting transactions in Nasdaq-listed securities effected otherwise than on an exchange.¹⁰

Pursuant to the NASD Rule 6600 Series, members use the ORF for purposes of reporting transactions in OTC Equity Securities to NASD.¹¹ In addition, pursuant to the NASD Rule 6400 Series, members report over-the-counter trades for non-Nasdaq

⁹ See Securities Exchange Act Release No. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006).

¹⁰ See supra note 6.

¹¹ NASD Rule 6610(d) defines "OTC Equity Securities" as any non-exchange-listed security and certain exchange-listed securities that do not otherwise qualify for real-time trade reporting.

exchange-listed securities to NASD. Nasdaq's Automated Confirmation Transaction Service ("ACT") is the system used for each of these purposes.

Currently, the NASD/Nasdaq TRF trade reporting rules reflect a system closing time of 6:30 p.m. ET, which was consistent with the system closing time of the UTP Securities Information Processor ("UTP SIP"). Effective September 18, 2006, the UTP SIP system closing time was extended from 6:30 p.m. ET to 8:00 p.m. ET. To accommodate the extended UTP SIP system closing time, NASD proposes to extend the closing time of the NASD/Nasdaq TRF from 6:30 p.m. to 8:00 p.m. ET. In addition, to keep the hours of operation uniform across the ACT system, NASD proposes to extend the closing time to 8:00 p.m. for reporting OTC Equity Securities under NASD Rule 6600 and non-Nasdaq exchange-listed securities under NASD Rule 6400.

Finally, the text of NASD Rule 6920 incorrectly reflects a system closing time of 5:15 p.m. ET. This closing time should have been amended at the time that the other NASD trade reporting rules were amended to reflect a system closing time of 6:30 p.m. Accordingly, as part of this proposed rule change, NASD also proposes to amend NASD Rule 6920 to extend the time from 5:15 p.m. until 8:00 p.m., the closing time of the ORF.

NASD filed the instant proposed rule change for immediate effectiveness. NASD proposes to make the proposed rule change operative on December 4, 2006. To ensure that market participants have sufficient time to program their internal systems to accommodate a new closing time of 8:00 p.m. ET for the NASD/Nasdaq TRF and ORF,

the extended closing time was announced in a Nasdaq Head Trader Alert on August 23, 2006.¹²

Extension of the system hours for the NASD/Nasdaq TRF and ORF will allow market participants to timely report more trades taking place after normal market hours. NASD believes that the proposed effective date draws an appropriate balance between the benefits of expanded access to the NASD/Nasdaq TRF and ORF systems with the needs of market participants to prepare for it.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,¹³ in general, and with Section 15A(b)(6) of the Act,¹⁴ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, remove impediments to a free and open market and a national market system, and, in general, to protect investors and the public interest. NASD believes that the proposed rule change will afford market participants additional time to report trades taking place after normal market hours, resulting in more timely and accurate trade reporting, which in turn will result in greater transparency.

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

¹² See Nasdaq Head Trader Alert 2006-120 (August 23, 2006)(available at <http://www.nasdaqtrader.com>).

¹³ 15 U.S.C. 78o-3.

¹⁴ 15 U.S.C. 78o-3(b)(6).

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not:

(i) 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, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁵ and Rule 19b-4(f)(6) thereunder.¹⁶ 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

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2006-120 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-2006-120. 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-2006-120 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.¹⁷

Nancy M. Morris
Secretary

¹⁷ 17 CFR 200.30-3(a)(12).