

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-48305; File No. SR-NASD-2003-99)

August 8, 2003

Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change by the National Association of Securities Dealers, Inc. to Amend Rule 6260 Regarding New Issue Notification Procedures for TRACE-Eligible Securities

On June 19, 2003, the National Association of Securities Dealers, Inc. (“NASD”) filed with the Securities and Exchange Commission (“SEC” or “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 amend Rule 6260 of NASD’s Trade Reporting and Compliance Engine (“TRACE”) rules. Specifically, NASD is proposing to amend Rule 6260(a) and (b) to require members to provide additional, descriptive information in the notice that is sent to NASD that identifies the basic terms of a new TRACE-eligible security (“new issue notification”), and to provide the information required in Rule 6260(b) by email or facsimile. The proposal requires the managing underwriter of any newly issued TRACE-eligible security to provide to the TRACE Operations Center information, as determined by NASD, that is required to determine if a TRACE-eligible security must be disseminated under Rule 6250 (e.g., size of issue and rating). Notice of the proposed rule change, including a discussion of the proposal in greater detail, was published for comment in the Federal Register on July 8, 2003.³ The Commission received no comments regarding the proposal.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 48113 (June 30, 2003), 68 FR 40727.

After careful consideration, the Commission finds that the proposed rule change is consistent with the Act and the rules and regulations promulgated thereunder applicable to a registered securities association and, in particular, with the requirements of Section 15A(b)(6) of the Act.⁴ Specifically, the Commission finds that approval of the proposed rule change is consistent with Section 15A(b)(6) of the Act in that it is 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.⁵

The Commission believes that requiring NASD members to provide additional information about new TRACE-eligible securities is necessary for NASD to determine if those new securities are subject to dissemination, and that requiring that new issue information be provided by email or facsimile will provide NASD with written records about TRACE-eligible securities. The Commission also believes that the proposed rule change will improve the operation of TRACE which provides price transparency and provides regulators with heightened capabilities to regulate and provide surveillance of the debt securities markets to prevent fraudulent and manipulative acts and practices. For the reasons discussed above, the Commission finds that the proposal is consistent with the Act and the rules and regulations thereunder.

⁴ 15 U.S.C. 78o-3(b)(6).

⁵ In approving this proposed rule change, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act⁶, that the proposed rule change (SR-NASD-2003-99), be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland
Deputy Secretary

⁶ Id.

⁷ 17 CFR 200.30-3(a)(12).