

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55041; File No. SR-NSX-2006-17)

January 4, 2007

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify a Fee Schedule for Transactions Executed through NSX BLADESM and To Modify a Fee Schedule for ITS Transactions

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 13, 2006, National Stock Exchange, Inc. (“NSX” or “Exchange”) 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 substantially by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to implement a liquidity provider rebate and liquidity taker fee for transactions executed in Tape A and Tape B securities through NSX BLADESM (“NSX BLADE”), the Exchange’s new trading system, and to modify its Fee Schedule applicable to transactions executed in Tape C securities through NSX BLADE.⁵ The Exchange also proposes

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)(2).

⁵ Securities are being transitioned from the Exchange’s legacy system, National Securities Trading System (“NSTS”) to NSX BLADE. Securities will only be traded on one

corresponding changes to the Exchange's ITS Transactions Fee Schedule. The text of the proposed rule change is available at www.nsx.com/RulesFilings.asp, NSX, and the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NSX 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. The Exchange 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

The Exchange has created NSX BLADE, a new trading platform that utilizes a strict price/time priority system as the ultimate replacement for the Exchange's current system, NSTS.⁶ In connection with the new trading platform, the Exchange filed a rule change proposing new trading rules for NSX BLADE.⁷ The Exchange also amended its rules to add a Chapter XVI to set forth, in its own chapter, rules relating to fees, dues, assessments and a tape

system; once transitioned, that security will only be traded on NSX BLADE. As of December 22, 2006, all Tape C securities have been transitioned to NSX BLADE, and the Exchange anticipates that all Tape A and Tape B securities will be transitioned to NSX BLADE in mid-January 2007. Until transitioned, Tape A and Tape B securities will continue to be traded on NSTS exclusively. See e-mail from Lori A. Ragus, Senior Regulatory Counsel, NSX, to Joseph P. Morra, Special Counsel, SEC, dated December 22, 2006.

⁶ See footnote 5, *supra*.

⁷ See Securities Exchange Act Release No. 54391 (August 31, 2006), 71 FR 52836 (September 7, 2006) (SR-NSX-2006-08) (approval order).

rebate program. The rule change adding Chapter XVI was filed pursuant to Section 19(b)(3)(A) of the Act, which rendered it effective upon filing.⁸

In the instant rule filing, the Exchange is filing a proposed Fee Schedule under Rule 16.1(a) and 16.1(c) of Chapter XVI for executions in Tape A, B and C securities through NSX BLADE.⁹ The proposed Fee Schedule provides for an execution fee for removing liquidity from NSX BLADE, and a rebate for adding liquidity into NSX BLADE, of \$0.0030 per share executed. Thus, ETP Holders taking liquidity against an order in the NSX BLADE System will be charged a fee of \$0.0030 per share executed, and ETP Holders providing liquidity into the NSX BLADE System will be paid a rebate of \$0.0030 per share executed. The current Fee Schedule provides a rebate and execution fee for transactions only in Tape C securities, whereas this proposed Fee Schedule seeks to expand the rebate and execution fee to include all securities classified as Tape A, B or C securities. In addition, the proposed Fee Schedule modifies the liquidity provider fee paid under the current Fee Schedule from a scaled rebate for Tape C securities of \$0.0027 to \$0.0028 per share executed to a flat fee of \$0.0030 per share executed.

The Exchange also is proposing corresponding changes to the Exchange's ITS Transactions Fee Schedule, which is applicable to transactions pursuant to the Plan for the Purpose of Creating and Operating an Intermarket Communications Linkage or the Intermarket

⁸ See Securities Exchange Act Release No. 54194 (July 24, 2006), 71 FR 43258 (July 31, 2006)(SR-NSX-2006-10). SR-NSX-2006-10 was effective upon filing on July 13, 2006. Rule 16.3 provides that the new Chapter XVI would become effective upon written notice by the Exchange to the ETP Holders. Notice was provided declaring Chapter XVI effective on October 2 and 19, 2006 respecting ITS transactions and transactions in NSX BLADE, respectively.

⁹ As set forth in SR-NSX-2006-10, the Exchange proposed to maintain a separate fee schedule that contains its current fees, dues and other charges, instead of including all of its specific fees, dues and charges in the text of its rules, as it formerly did prior to the adoption of Chapter XVI.

Trading System Plan (hereinafter the “ITS Plans”). With the implementation of an execution fee for transactions executed through NSX BLADE, the Exchange is proposing to apply the same fee to transactions executed pursuant to the ITS Plans. The Exchange believes that this would eliminate the potential for preferential treatment to those accessing the Exchange pursuant to the ITS Plans, instead of executing transactions directly through NSX BLADE.

Moreover, the Exchange is proposing a technical and corresponding change to the Exchange’s ITS Transactions Fee Schedule to delete the liquidity provider rebate fee because the ITS transactions only take liquidity from the Exchange, but cannot provide liquidity. The Exchange states that all orders to NSX BLADE or NSTS pursuant to the ITS Plans are immediate or cancel orders and are not capable of being posted. As such, these orders do not provide liquidity, and cannot earn a liquidity provider fee.

The Exchange is in the process of phasing in NSX BLADE. NSX BLADE was launched on October 23, 2006, with Tape C securities currently being phased into NSX BLADE from NSTS. Once all Tape C securities have been transitioned to NSX BLADE, the Exchange is planning to transition all Tape A and Tape B securities at one time.¹⁰

During this transitional period of phasing in various securities to NSX BLADE, the Exchange is operating both NSTS and NSX BLADE. Accordingly, the Exchange is operating under two sets of rules during this phase-in period. All transactions in the NSTS System are operating under the rules pertaining to NSTS (old Rule 11.9 (National Securities Trading System) and old Rule 11.10 (National Securities Trading System Fees) and any associated Fee Schedule) while all transactions in NSX BLADE are operating under the NSX BLADE trading

¹⁰ NSX plans to monitor this implementation and adjust the schedule as needed to maintain an orderly transition.

rules approved in SR-NSX-2006-08 and the new fee rules in Chapter XVI.¹¹ When the phase-in system has expired and NSTS is no longer operational, old Rules 11.9 and 11.10 will be extinguished. The Exchange has issued a Notice to ETP Holders to advise them of the different trading systems and rules and fees applicable to each,¹² and will issue a Notice advising them of the new Fee Schedules filed with this rule change.

Pursuant to newly approved CHX Rule 16.1(c), the Exchange will “provide ETP Holders with notice of all relevant dues, fees, assessments and charges of the Exchange.” The Exchange will advise ETP Holders using the Exchange of these fees through the Exchange’s Web site. In addition, the ETP Holders will, simultaneous with the filing, be notified through the issuance of a Regulatory Circular of the new Fee Schedules.

The Exchange believes that the fees have been designed in this manner in order to ensure that the Exchange can continue to fulfill its obligations under Section 6(b) of the Act.¹³

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹⁵ in particular, regarding the equitable allocation of reasonable dues, fees, and other charges among exchange members and other persons using exchange facilities.

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

The proposed rule change will not impose any burden on competition that is not

¹¹ The ITS Transactions Fee Schedule is applicable to any transaction pursuant to the ITS Plans, regardless whether the transaction was executed through NSTS or NSX BLADE.

¹² See NSX Regulatory Circular 06-011 issued on October 19, 2006.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(4).

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

The Exchange has neither solicited nor received comments on the proposed rule change.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁶ and subparagraph (f)(2) of Rule 19b-4 thereunder,¹⁷ because it establishes or changes a due, fee, or other charge imposed by NSX. 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-NSX-2006-17 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

¹⁶ 15 U.S.C. 78s(b)(3)(a)(ii).

¹⁷ 17 CFR 240.19b-4(f)(2).

All submissions should refer to File Number SR-NSX-2006-17. 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 offices of NSX. 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-NSX-2006-17 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.¹⁸

Florence E. Harmon
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).