

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ the National Association of Securities Dealers, Inc. (“NASD”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend NASD Rule 7010(k) relating to Transaction Reporting and Compliance Engine (“TRACE”) transaction data to amend Rule 7010(k)(3)(A)(ii) to offer the ability to receive, for a reduced fee, a “snapshot” of real-time TRACE transaction data (“TRACE data”) once each day rather than continuously throughout the day.

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

7010. System Services

(a) through (j) No change.

(k) Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine (“TRACE”):

¹ 15 U.S.C. 78s(b)(1).

System Fees	Transaction Reporting Fees	Market Data Fees
Level I Trade Report Only Web Browser Access - \$20/month per user ID Level II Full Service Web Browser Access - \$80/month per user ID, except that the charge for the first such user ID shall be \$50/month	Trades up to and including \$200,000 par value - \$0.475/trade; Trades between \$201,000 and \$999,999 par value - \$0.002375 times the number of bonds traded/trade; Trades of \$1,000,000 par value or more - \$2.375/trade	BTDS Professional Real-Time Data Display - \$60/month per terminal, or a flat fee of \$7,500/month entitling Professionals to make unlimited internal use of Real-Time TRACE transaction data on any number of interrogation or display devices
CTCI/Third Party - \$25/month/per firm	Cancel/Correct - \$1.50/trade	Vendor Real-Time Data Feed - \$1,500/month for <u>receipt of continuous</u> Real-Time TRACE transaction data except for qualifying Tax-Exempt Organizations, <u>or \$250/month for daily receipt of Snapshot Real-Time TRACE transaction data</u>
	“As of” Trade Late - \$3/trade	Vendor Real-Time Data Feed - \$400/month for Real-Time TRACE transaction data for qualifying Tax-Exempt Organizations
		BTDS TRACE Non-Professional Real-Time Data Display – No charge

(1) through (2) No change.

(3) Market Data Fees

Professionals and Non-Professionals may subscribe to receive Real-Time TRACE transaction data disseminated by NASD in one or more of the following ways for the charges specified, as applicable. Members, vendors and other redistributors shall be required to execute appropriate agreements with NASD.

(A) Professional Fees

Professionals may subscribe for the following:

(i) Bond Trade Dissemination Service (“BTDS”)

Professional Real-Time Data Display Fee of \$60 per month, per terminal charge for each interrogation or display device receiving Real-Time TRACE transaction data, or a flat fee of \$7,500 per month entitling Professionals to make unlimited internal use of Real-Time TRACE transaction data on any number of interrogation or display devices.

(ii) Vendor Real-Time Data Feed Fee of \$1,500 per month for receipt of continuous Real-Time TRACE transaction data for any person or organization (other than a Tax-Exempt Organization) that receives a Real-Time TRACE transaction data feed, or \$250 per month for daily receipt of Snapshot Real-Time TRACE transaction data which shall consist of one TRACE price per security per day. These fees entitles use in one or more of the following ways: internal operational and processing systems, internal monitoring and surveillance systems, internal price validation, internal portfolio valuation services, internal analytical programs leading to purchase/sale or other trading decisions, and other related activities, and the repackaging of market data for delivery and dissemination outside the organization, such as indices or other derivative products. (Th[is]ese fees do[es] not

include per terminal charges for each interrogation or display device receiving Real-Time TRACE transaction data.)

(iii)-(iv) No change.

(B) through (D) No change.

(l) through (y) No change.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Governors of NASD at its meeting of December 6, 2006, which authorized the filing of the rule change with the SEC. No other action by NASD is necessary for the filing of the proposed rule change. Section 1(a)(ii) of Article VII of the NASD By-Laws permits the Board of Governors of NASD to adopt amendments to NASD Rules without recourse to the membership for approval.

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 Commission approval. The effective date will be not later than 45 days following publication of the Notice to Members announcing Commission approval.

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

(a) Purpose

NASD proposes to amend Rule 7010(k) to lower the fee related to the receipt of TRACE data by persons opting to receive the data once a day (“Snapshot TRACE data”) rather than on a continuous basis. Specifically, NASD is proposing to amend Rule 7010(k)(3)(A)(ii) to provide persons that choose to receive Snapshot TRACE data (“Snapshot TRACE data Subscribers”) the option of paying \$250 per month for the receipt of Snapshot TRACE data rather than paying \$1,500 per month to receive TRACE data continuously throughout the day as is the case today. A Snapshot TRACE data Subscriber would be able to choose the specific time of day it would receive Snapshot TRACE data each day, and NASD expects that many institutional Snapshot TRACE data Subscribers would choose to receive Snapshot TRACE data at or shortly after 4:00 p.m. (Eastern Standard Time) each day and use it to value certain positions held in their investment portfolios.

Today, NASD’s TRACE data dissemination, and the fees charged for it, contemplates only *continuous* intra-day dissemination of TRACE data.² However, based on discussions with certain TRACE data vendors and institutional market participants, NASD believes that an additional program of single intra-day or end of day price dissemination also would be useful. This is especially true for those institutional investors that need only one price per security per day to assign a value to a particular position. Transaction data for these types of position valuation purposes typically has been made available through vendor services such as IDC and the Reuters Pricing Service. Vendors usually charge for pricing requests for securities held in individual

² NASD has proposed adding the phrase “receipt of continuous” to the text of Rule 7010(k)(3)(a)(ii) that today sets forth the \$1,500 per month fee for TRACE data

portfolios either on a per CUSIP basis or for a fixed monthly fee for a specified group of securities.

NASD believes, based on conversations its staff has undertaken with certain vendors of TRACE data and certain institutional market participants, that the current price charged to persons receiving TRACE data continuously throughout the day (\$1,500 per month) is unnecessarily expensive for persons that would like to exclusively use TRACE data to value portfolio positions. In this regard, NASD notes that, to date, no institutional market participants have subscribed for the receipt of TRACE data continuously throughout the day.

If the proposed rule change is approved by the SEC, NASD intends to work with third party “Retransmission Vendors” that will redistribute Snapshot TRACE data to Snapshot TRACE data Subscribers. As is the case today with the distribution of TRACE data to desktop display applications, NASD does not intend to develop its own capabilities to distribute Snapshot TRACE data directly to Snapshot TRACE data Subscribers.

NASD believes that the proposed fee of \$250 per month for Snapshot TRACE data is reasonable, particularly as it is a charge more in line with what NASD perceives to be the more tailored information requirements of a subset of institutional market participants that today are foregoing TRACE data at the higher costs per month for continuous data.

As noted in Item 2 of this filing, NASD will announce the effective date of the proposed rule change in a Notice to Members to be published no later than 60 days

to further clarify the distinction between the current and proposed frequency of

following Commission approval. The effective date will be not later than 45 days following publication of the Notice to Members announcing Commission approval.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,³ which requires, among other things, that NASD rules must 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 and Section 15A(b)(5) of the Act,⁴ which requires, among other things, that NASD 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 offering Snapshot TRACE data for a reduced charge should result in more persons subscribing to receive TRACE data with a concomitant increase in market transparency resulting from the wider dissemination and use of TRACE data.

4. 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.

5. 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.

³ delivery of TRACE data to persons subscribing to receive such data.
15 U.S.C. 78s(b)(6).

⁴ 15 U.S.C. 78s(b)(5).

6. **Extension of Time Period for Commission Action**

NASD does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁵

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

Not applicable.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

9. **Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

⁵ 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2007-004)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by National Association of Securities Dealers, Inc.
To Amend NASD Rule 7010(k) relating to Transaction Reporting and Compliance
Engine (“TRACE”) transaction data.

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 , 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. 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

NASD is proposing to amend NASD Rule 7010(k) relating to Transaction Reporting and Compliance Engine (“TRACE”) transaction data to amend Rule 7010(k)(3)(A)(ii) to offer the ability to receive, for a reduced fee, a “snapshot” of real-time TRACE transaction data (“TRACE data”) once each day rather than continuously throughout the day.

Below is the text of the proposed rule change. Proposed new language is in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

italics; proposed deletions are in brackets.

* * * * *

7010. System Services

(a) through (j) No change.

(k) Trade Reporting and Compliance Engine (TRACE)

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indices or other derivative products. (Th[is]ese fees do[es] not include per terminal charges for each interrogation or display device receiving Real-Time TRACE transaction data.)

(iii)-(iv) No change.

(B) through (D) No change.

(l) through (y) No change.

* * * * *

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

NASD proposes to amend Rule 7010(k) to lower the fee related to the receipt of TRACE data by persons opting to receive the data once a day (“Snapshot TRACE data”) rather than on a continuous basis. Specifically, NASD is proposing to amend Rule 7010(k)(3)(A)(ii) to provide persons that choose to receive Snapshot TRACE data (“Snapshot TRACE data Subscribers”) the option of paying \$250 per month for the receipt of Snapshot TRACE data rather than paying \$1,500 per month to receive TRACE data continuously throughout the day as is the case today. A Snapshot TRACE data

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TRACE data to value portfolio positions. In this regard, NASD notes that, to date, no institutional market participants have subscribed for the receipt of TRACE data continuously throughout the day.

If the proposed rule change is approved by the SEC, NASD intends to work with third party “Retransmission Vendors” that will redistribute Snapshot TRACE data to Snapshot TRACE data Subscribers. As is the case today with the distribution of TRACE data to desktop display applications, NASD does not intend to develop its own capabilities to distribute Snapshot TRACE data directly to Snapshot TRACE data Subscribers.

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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 Commission approval. The effective date will be not later than 45 days following publication of the Notice to Members announcing Commission approval.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD rules must 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 and Section 15A(b)(5) of the Act, which requires, among other things, that NASD 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 offering Snapshot TRACE data for a reduced charge should result in more persons subscribing to receive TRACE data with a concomitant increase in market transparency resulting from the wider dissemination and use of TRACE data.

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

Written comments were neither solicited nor received.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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-NASD-2007-004 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-2007-004. 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 the File Number SR-NASD-2007-004 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.⁴

Secretary

⁴ 17 CFR 200.30-3(a)(12).