

Proposed Rule Change by Financial Industry Regulatory Authority  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the proposed rule change (limit 250 characters).

**Contact Information**  
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Andrea"/>	Last Name	<input type="text" value="Orr"/>
Title	<input type="text" value="Assistant General Counsel"/>		
E-mail	<input type="text" value="andrea.orr@finra.org"/>		
Telephone	<input type="text" value="(202) 728-8156"/>	Fax	<input type="text" value="(202) 728-8264"/>

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date	<input type="text" value="04/30/2008"/>
By	<input type="text" value="Stephanie Dumont"/>
	(Name)
	<input type="text" value="Vice President and Associate General Counsel"/>
	(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Stephanie Dumont,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**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.

On December 21, 2007, Financial Industry Regulatory Authority, Inc. or “FINRA” (f/k/a the National Association of Securities Dealers, Inc. (“NASD”)) filed with the Securities and Exchange Commission (the “SEC”) proposed rule change SR-FINRA-2007-039 to amend NASD Interpretive Material (IM) 2110-2 (Trading Ahead of Customer Limit Order) and NASD Rule 2111 (Trading Ahead of Customer Market Orders) to establish an exemption for certain Regulation NMS-compliant intermarket sweep orders (the “original filing”). FINRA filed Partial Amendment No. 1 on February 11, 2008. On March 5, 2008, the SEC published for comment the proposed rule change in the Federal Register and received one commenter letter.<sup>1</sup> On March 26, 2008, FINRA filed a letter with the SEC responding to the comment letter.

FINRA is filing this Partial Amendment No. 2 to propose certain technical, non-substantive changes to the proposed text of IM-2110-2 and Rule 2111 as described below. With this Partial Amendment No. 2, FINRA is including (1) Exhibit 4 (see below), which reflects changes to the text of the proposed rule change pursuant to this Partial Amendment No. 2, marked to show additions to the text as proposed in the original filing; and (2) Exhibit 5 (see below), which reflects the changes to the current rule text that are proposed in SR-FINRA-2007-039, as amended by this Partial Amendment No. 2.

This Partial Amendment No. 2 is deleting paragraphs (d)(2) and (g)(2), the definitions sections, as unnecessary, given that protected quotation is not a term used in the proposed rule text and that the term intermarket sweep order (ISO) is already defined in the initial paragraphs as those orders complying with SEC Rule 600(b)(30)(ii). Similarly, FINRA is deleting the reference to SEC Rule 611(b)(6) with respect to ISOs to make clear that only the additional ISOs routed out to meet the ISO requirements (i.e., one or more additional limit orders routed to execute against the full displayed size of any protected bid or offer) are exempt from the requirements of IM-2110-2 and Rule 2111, as applicable, not the underlying transaction meeting the ISO exemption.

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<sup>1</sup> See Securities Exchange Act Release No. 57388 (February 27, 2008), 73 FR 11963 (March 5, 2008) (notice of filing of SR-FINRA-2007-039).

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**EXHIBIT 4**

Below is the text of the proposed rule change with the changes proposed in the original filing shown as if adopted. Proposed deletions in this Partial Amendment No. 2 appear in brackets.

\* \* \* \* \*

**IM-2110-2. Trading Ahead of Customer Limit Order**

(a) through (c) No change.

**(d) Intermarket Sweep Order Exemption**

[(1)] A member shall be exempt from the obligation to execute a customer limit order in a manner consistent with this interpretation with regard to trading for its own account that is the result of an intermarket sweep order routed in compliance with Rule[s] 600(b)(30)(ii) [and 611(b)(6)] of Regulation NMS (“ISO”) where the customer limit order is received after the member routed the ISO. A member also shall be exempt with respect to trading for its own account that is the result of an ISO where the member executes the ISO to facilitate a customer limit order and that customer has consented to not receiving the better prices obtained by the ISO.

[(2)] For purposes of IM-2110-2, the terms “protected quotation” and “intermarket sweep order” shall have the meanings set forth in Rule 600 of Regulation NMS.]

\* \* \* \* \*

**2111. Trading Ahead of Customer Market Orders**

(a) through (f) No change.

(g)[(1)] The obligations under this rule shall not apply to trading for a member's own account that is the result of an intermarket sweep order routed in compliance with Rule[s] 600(b)(30)(ii) [and 611(b)(6)] of Regulation NMS ("ISO") where the customer market order is received after the member routed the ISO. The obligations under this rule also shall not apply with respect to trading for a member's own account that is the result of an ISO where the member executes the ISO to facilitate a customer market order and that customer has consented to not receiving the better prices obtained by the ISO.

[(2) For purposes of Rule 2111, the terms "protected quotation" and "intermarket sweep order" shall have the meanings set forth in Rule 600 of Regulation NMS.]

(h) Nothing in this rule changes the application of Rule 2320 with respect to a member's obligations to customer orders.

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**EXHIBIT 5**

Below is the text of the proposed rule change, as amended by this Partial Amendment No. 2. Proposed new language is underlined.

\* \* \* \* \*

**IM-2110-2. Trading Ahead of Customer Limit Order**

(a) through (c) No change.

**(d) Intermarket Sweep Order Exemption**

A member shall be exempt from the obligation to execute a customer limit order in a manner consistent with this interpretation with regard to trading for its own account that is the result of an intermarket sweep order routed in compliance with Rule 600(b)(30)(ii) of Regulation NMS (“ISO”) where the customer limit order is received after the member routed the ISO. A member also shall be exempt with respect to trading for its own account that is the result of an ISO where the member executes the ISO to facilitate a customer limit order and that customer has consented to not receiving the better prices obtained by the ISO.

\* \* \* \* \*

**2111. Trading Ahead of Customer Market Orders**

(a) through (f) No change.

(g) The obligations under this rule shall not apply to trading for a member’s own account that is the result of an intermarket sweep order routed in compliance with Rule 600(b)(30)(ii) of Regulation NMS (“ISO”) where the customer market order is received after the member routed the ISO. The obligations under this rule also shall not apply

with respect to trading for a member's own account that is the result of an ISO where the member executes the ISO to facilitate a customer market order and that customer has consented to not receiving the better prices obtained by the ISO.

(h) Nothing in this rule changes the application of Rule 2320 with respect to a member's obligations to customer orders.