

Notice to Members

JANUARY 2005

SUGGESTED ROUTING

Corporate Finance
Legal and Compliance
Operations
Senior Management
Technology
Trading and Market Making
Training

KEY TOPICS

Debt Securities
Dissemination of Transaction
Information
Operations
Rule 6200 Series
TRACE Rules
Transaction Reporting

GUIDANCE

Corporate Debt Securities

Stage Two of the Expansion of Dissemination of TRACE Transaction Data to Begin on February 7, 2005 Instead of February 1, 2005

Executive Summary

NASD is implementing recent amendments to Rule 6250 requiring the immediate or delayed dissemination of information on Trade Reporting and Compliance Engine (TRACE) transactions in two stages (hereinafter, Stage One and Stage Two). The amendments were approved by the Securities and Exchange Commission (SEC) on September 3, 2004 and are described in detail in SR-NASD-2004-094 and *NASD Notice to Members 04-65* (September 2004). The implementation date of Stage One was October 1, 2004. The implementation date of Stage Two, consisting of certain Rule 6250 amendments more fully described below, has been changed from February 1, 2005 to February 7, 2005.¹

Questions/Further Information

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Discussion

NASD is implementing the amendments to Rule 6250 set forth in SR-NASD-2004-094 that require all transactions in TRACE-eligible securities be disseminated on an immediate or delayed basis, except those transactions in TRACE-eligible securities that are issued pursuant to Section 4(2) of the Securities Act of 1933 (Securities Act)

and purchased or sold pursuant to Rule 144A under the Securities Act.² The SEC approved the amendments to Rule 6250 on September 3, 2004, and NASD implemented certain provisions on October 1, 2004 as Stage One. The remaining provisions were to be implemented on February 1, 2005 as Stage Two.

The implementation date of Stage Two has been changed from February 1, 2005 to February 7, 2005. Generally, in Stage Two, NASD will make effective certain amendments to Rule 6250 that provide for the *delayed dissemination* of information on designated transactions in TRACE-eligible securities. Changing the implementation date will allow NASD to implement Stage Two on a Monday, rather than a Tuesday, which will reduce operational implementation issues.

On February 7, 2005, the following provisions of amended Rule 6250 will become effective, as Stage Two.

- ▶ Rule 6250(a)(1) and (2).
- ▶ The portion of Rule 6250(b)(1)(C)(i) not fully implemented in Stage One: Rule 6250(b)(1)(C)(i) was not fully implemented in Stage One in that transactions of \$1 million or less (par value) in any TRACE-eligible security described in Rule 6250(b)(1)(C)(i) *that did not meet or exceed the frequency standard in Rule 6250(b)(1)(C)(ii)* were not disseminated during Stage One. These transactions will begin to be disseminated on February 7, 2005, the effective date of Stage Two, resulting in the full implementation of Rule 6250(b)(1)(C)(i).
- ▶ Rule 6250(b)(2)(A) and (B).

Each of these provisions is fully described and discussed in SR-NASD-2004-094 and *Notice to Members 04-65* (September 2004).

Endnotes

1 See Securities Exchange Act Release No. _____ (January __, 2005), __ Fed. Reg. _____ (January __, 2005) (File No. SR-NASD-2004-189) (notice of rule change for immediate effectiveness filed on December 28, 2004).

2 See Securities Exchange Act Release No. 50317 (September 3, 2004), 69 FR 55202 (September 13, 2004) (File No. SR-NASD-2004-094) (SEC Approval Order). See also *Notice to Members 04-65* (September 2004).

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