Corporate Debt Securities
SEC Approves Immediate Dissemination of Information on TRACE Transactions; Effective Date: January 9, 2006

Executive Summary
On December 28, 2005, the Securities and Exchange Commission (SEC or Commission) approved amendments to Rule 6250 of the Rule 6200 Series, also known as the Trade Reporting and Compliance Engine (TRACE) rules. The amendments to Rule 6250 provide that information on all transactions in TRACE-eligible securities be disseminated immediately upon receipt, except those transactions in TRACE-eligible securities that are purchased or sold pursuant to Rule 144A under the Securities Act of 1933 (Securities Act) (Rule 144A transactions). Rule 6250, as amended, is set forth in Attachment A. The amendments become effective on January 9, 2006.

Questions/Further Information
Questions concerning this Notice should be directed to tracefeedback@nasd.com; Elliot Levine, Chief Counsel, Transparency Services, Markets, Services and Information, at (202) 728-8405; or Sharon K. Zackula, Associate General Counsel, Office of General Counsel, Regulatory Policy and Oversight, at (202) 728-8985.
Discussion

Currently, NASD disseminates transaction information for secondary market transactions in all TRACE-eligible securities immediately upon receipt of the transaction information, except as detailed below.

- Information is disseminated on a delayed basis for the following TRACE-eligible securities transactions:
  - **Newly Issued Securities Rated BBB or Lower.** Transactions in newly issued BBB-rated TRACE-eligible securities that are executed during the first two business days after pricing are subject to a two-business day delay. See Rule 6250(a)(1). Those in newly issued TRACE-eligible securities rated BB or lower are subject to a 10-business day delay. See Rule 6250(a)(2).
  - **Non-Investment Grade Transactions Greater than $1 Million.** Transactions that are greater than one million dollars (par value) in BB-rated TRACE-eligible securities that trade on average less than one time per day are disseminated two business days from the time of execution. See Rule 6250(b)(2)(A). Transactions that are greater than one million (par value) rated B or lower that trade on average less than one time per day are disseminated four business days from the time of execution. See Rule 6250(b)(2)(B).

- Information is reported to TRACE but NOT disseminated on Rule 144A transactions in TRACE-eligible securities.

NASD has amended Rule 6250 to eliminate all provisions for delayed dissemination and provide that information on all transactions in TRACE-eligible securities, except transactions executed pursuant to Rule 144A, be disseminated immediately.

- NASD will implement the amendments to Rule 6250 as follows:
  - For members that execute and report transactions in TRACE-eligible securities that are subject to dissemination delays under current subparagraphs (a)(1) and (2) and (b)(2)(A) and (B) of Rule 6250 prior to the effective date of the amendments, NASD will look to the date that the trade was executed and reported to determine the applicable dissemination protocol. Information about these transactions will not be disseminated until the period of delay has run (see Examples 1 and 2 below).
  - For members that execute transactions in TRACE-eligible securities that are subject to dissemination delays under Rule 6250 as referenced above prior to the effective date of the amendments, but report such transactions on or after the effective date, NASD will look to the date that the transactions were reported to determine the applicable dissemination protocol, with the result that the information will be disseminated immediately upon receipt (see Example 3 below).
The following are examples of how the implementation procedures will affect dissemination. **Note:** NASD will make the proposed rule change effective at **12:00:01 a.m. E.T.** on Monday, January 9, 2006.

- **Example 1:** On January 5, 2006, a member executes and reports a transaction subject to a four-business day delay. Under the implementation procedures, the transaction would be disseminated on Wednesday, January 11, 2006 with a “D” as/of indicator (showing that the trade took place at a prior date and time) and with a time stamp (indicating the exact date and time that the trade took place).

- **Example 2:** On January 5, 2006, a member executes and reports a transaction in a newly issued TRACE-eligible security subject to a 10-business day delay. Under the implementation procedures, the transaction would be disseminated on Friday, January 20, 2006 with a “D” as/of indicator (showing that the trade took place at a prior date and time) and with a time stamp (indicating the exact date and time that the trade took place).

- **Example 3:** On January 6, 2006, a member executes a transaction in a TRACE-eligible security subject to a four-business day delay. The member reports the transaction on January 9, 2006. Under the implementation procedures, the transaction would be disseminated immediately on January 9, 2006 with a “Y” as/of indicator (showing that the trade took place at a prior date and time) and with a time stamp (indicating the exact date and time that the trade took place).

*See* Attachment A for the full text of the amendments to Rule 6250.

**Effective Date**

The effective date of the amendments to Rule 6250 is January 9, 2006.

**Endnote**

ATTACHMENT A

The text of Rule 6250 is replaced in its entirety by the underlined rule text set forth below.

6250. Dissemination of Transaction Information

(a) Dissemination

NASD will disseminate information on all transactions in TRACE-eligible securities immediately upon receipt of the transaction report, except as provided below.

(b) Rule 144A Securities

NASD will not disseminate information on a transaction in a TRACE-eligible security that is effected pursuant to Rule 144A under the Securities Act of 1933.