

Rule 7010(k) Trade Reporting and Compliance Engine (TRACE)¹

(Rule 7010(k) shall expire on (insert date that is six months after SEC approval of SR-NASD-2002-63), unless amended, extended, or permanently adopted by NASD pursuant to SEC approval at or before such date).

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

System Fees	Transaction Reporting Fees	Market Data Fees
Web Browser Access: \$85/month for 1 user ID; \$75/month for 2-9 user IDs; \$70/month for 2-10+ user IDs	Trades up to and including \$200,000 par value - \$0.50/trade; Trades between \$201,000 and \$999,999 par value - \$0.0025 times the number of bonds traded/trade; Trades of \$1,000,000 par value or more - \$2.50/trade	BTDS Professional Display - \$60/month per terminal
CTCI - \$25/month/line	Cancel/Correct - \$3/trade	BTDS Internal Usage Authorization - \$500/month per organization
Third Party - \$25/month	“As of” Trade Late - \$3/trade	BTDS External Usage Authorization - \$1,000/month per organization
PDN Administrative - \$100/month/line	Browse & Query - \$0.05 after first page	BTDS Non-Professional Display - \$1/month per terminal
		Daily List Fax - \$15/month per fax number/addressee

(1) System Related Fees. There are three methods by which a member may report corporate bond transactions that are reportable to the Association

¹ In an unrelated filing with the Commission, the NASD filed notice of proposed rule changes relating to the separation of Nasdaq from the NASD and the establishment of the NASD Alternative Display Facility. Such filing proposes to modify certain NASD rules to effectuate this separation. The Rule 7000 Series is proposed to be modified as part of that rule filing. Such filing may require that subsection (k) referenced herein be renumbered to be consistent with the modifications proposed therein. See SR-NASD-2001-90 filed on December 7, 2001 with the Commission.

pursuant to the Rule 6200 Series. A member may choose among the following methods to report data to the Association: (a) a TRACE web browser (either over the Internet or a secure private data network (“PDN”)); (b) a Computer-to-Computer Interface (“CTCI”) (either one dedicated solely to TRACE or a multi-purpose line); or (c) a third-party reporting intermediary. Fees will be charged based on the reporting methodology selected by the member.

(A) Web Browser Access

The charge to be paid by a member that elects to report TRACE data to the Association via a TRACE web browser shall be as follows: for the first user ID registered, a charge of \$85 per month; for the next two through nine user IDs registered, a charge of \$75 per month, per such additional user ID; and for ten or more user IDs registered, a charge of \$70 per month, per user ID from two to ten or more. In addition, a member that elects to report TRACE data to the Association via a web browser over a secure PDN rather than over the Internet shall pay an additional administrative charge of \$100 per month, per line.²

(B) Computer-to-Computer Interface Access

The charge to be paid by a member that elects to report TRACE data to the Association via a CTCI line shall be \$25 per month, per line, regardless of whether the line is or is not dedicated exclusively for TRACE.³

(C) Third Party Access – Indirect Reporting

A member may elect to report TRACE data indirectly to the Association

² Charges that may be imposed by third parties, such as network providers, are not included in these fees.

³ Charges that may be imposed by third parties, such as CTCI line providers, are not included in these fees.

via third-party reporting intermediaries, such as vendors, service bureaus, clearing firms, or the National Securities Clearing Corporation (“NSCC”). The charge to be paid by a member shall be \$25 per month, per firm. Nothing in this Rule shall prevent such third-party intermediaries from charging additional fees for their services.

(2) Transaction Reporting Fees

For each transaction in corporate bonds that is reportable to the Association pursuant to the Rule 6200 Series, the following charges shall be assessed against the member responsible for reporting the transaction:

(A) Trade Reporting Fee

A member shall be charged a Trade Reporting Fee based upon a sliding scale ranging from \$0.50 to \$2.50 per transaction based on the size of the reported transaction. Trades up to and including \$200,000 par value will be charged a \$0.50 fee per trade; trades between \$201,000 par value and \$999,999 par value will be charged a fee of \$0.0025 multiplied by the number of bonds traded per trade; and trades of \$1,000,000 par value or more will be charged a fee of \$2.50 per trade.

(B) Cancel or Correct Trade Fee

A member shall be charged a Cancel or Correct Trade Fee of \$3.00 per canceled or corrected transaction. To provide firms with time to adjust to the new reporting system, the Cancel or Correct Trade Fee will not be charged until the later of October 1, 2002 or 90 days after the effective date of TRACE.

(C) “As of” Trade Late Fee

A member shall be charged an “As of” Trade Late Fee of \$3.00 per transaction for those transactions that are not timely reported “As of” as required by these rules. To provide firms with time to adjust to the new reporting system, the “As of” Trade Late Fee will not be charged until the later of October 1, 2002 or 90 days after the effective date of TRACE.

(D) Browse and Query Fee

Members may review their own previously reported transaction data through a Browse and Query function. A member shall be charged \$0.05 for each returned page of the query beyond the first page.

(3) Market Data Fees

Professionals and non-professionals may subscribe to receive real-time TRACE data disseminated by the Association in one or more of the following ways for the charges specified. Members, vendors and other redistributors shall be required to execute appropriate agreements with the Association.

(A) Professional Fees. Professionals may subscribe for the following:

(i) Bond Trade Dissemination Service (“BTDS”) Professional Display Fee of \$60 per month, per terminal charge for each interrogation or display device receiving real-time TRACE transaction data.

(ii) BTDS Internal Usage Authorization Fee of \$500 per month, per organization charge for internal dissemination of real-time TRACE transaction data used 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.⁴

(iii) BTDS External Usage Authorization Fee of \$1,000 per month, per organization charge for dissemination of real-time TRACE transaction data used in one or more of the following ways: repackaging of market data for delivery and dissemination outside the organization, such as indices or other derivative products.⁵

(B) Non-Professional Fees

The charge to be paid by a non-professional for each terminal receiving all or any portion of real-time TRACE transaction data disseminated through TRACE shall be \$1.00 per month, per terminal.

(C) Non-Professional Defined

A “non-professional” is a natural person who is neither:

- (i) registered nor qualified in any capacity with the Commission, the Commodity Futures Trading Commission, any state securities agency, any securities exchange or association, or any commodities or futures contract market or association; or
- (ii) engaged as an “investment adviser” as that term is defined in Section 202(a)(11) of the Investment Advisers Act of 1940 (whether or

⁴ Under this service, real-time TRACE transaction data may not be used in any interrogation display devices, any systems that permit end users to determine individual transaction pricing in real-time, or disseminated to any external source.

⁵ Under this service, real-time TRACE transaction data may not be used in any interrogation display devices or any systems that permit end users to determine individual transaction pricing in real-time.

not registered or qualified under that Act);

(iii) employed by a bank, insurance company or other organization exempt from registration under federal or state securities laws to perform functions that would require registration or qualification if such functions were performed for an organization not so exempt; nor

(iv) engaged in, or has the intention to engage in, any redistribution of all or any portion of the information disseminated through TRACE.

(4) Daily List Fax Service

Each subscriber for the Association's Daily List Fax Service shall be charged \$15 per month, per fax number/addressee.

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