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and Deputy General Counsel

September 30, 2004

Katherine A. England
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1001

**Re: File No. SR-NASD-2004-148 – Proposed Amendment to TRACE Rule 6250
(Dissemination of Transaction Information); Filed for Immediate
Effectiveness)**

Dear Ms. England:

Pursuant to Rule 19b-4, enclosed please find the above-numbered rule filing. Also enclosed is a 3-1/2" disk containing the rule filing in Microsoft Word 7.0 to facilitate production of the Federal Register release.

If you have any questions, please contact Sharon Zackula, Associate General Counsel, Office of General Counsel, Regulatory Policy and Oversight Division, at (202) 728-8985; email sharon.zackula@nasd.com, or Elliot Levine, Chief Counsel and Senior Advisor, Market Operations and Information Services, Markets, Services, and Information Division, at (202) 728-8405; email elliott.levine@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Patrice Gliniecki
Senior Vice President
and Deputy General Counsel

Enclosures

File No. SR-NASD-2004-148
Consists of 12 Pages
September 30, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

Form 19b-4

Proposed Rule Change

by

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(3) of the Securities Exchange Act of 1934 (“Act”), 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 6250 to continue to disseminate transaction information for certain TRACE-eligible securities during Stage One of the implementation of SR-NASD-2004-094, notwithstanding that the securities do not meet the frequency standards for such dissemination set forth in Rule 6250(b)(1)(C)(ii). Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

6250. Dissemination of Transaction Information

(a) through (c) No change.

(d) Dissemination of Transaction Information for Certain Non-Investment Grade TRACE-Eligible Securities

Until such time as the effective date of (1) Rule 6250(a), (2) the portion of proposed Rule 6250(b)(1)(C)(i) not effective as of October 1, 2004, and (3) Rule 6250(b)(2) (being the effective date of “Stage Two”), information for transactions in Non-Investment Grade TRACE-eligible securities that were subject to dissemination under the Rule 6200 Series prior to October 1, 2004, but that do not meet the frequency standards set forth in Rule 6250(b)(1)(C)(ii), will continue to be disseminated immediately upon receipt of the transaction report. Following the effective date of Stage Two, dissemination of such securities will be subject to all provisions of the Rule 6200

Series then in effect, at which time this paragraph (d) of Rule 6250 shall automatically expire by its own terms.

* * * * *

(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 on April 22, 2004, 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. As discussed below, NASD is filing the proposed rule change for immediate effectiveness, and the implementation date will be October 1, 2004.

Questions regarding this rule filing may be directed to Sharon K. Zackula, Associate General Counsel, Office of General Counsel, Regulatory Policy and Oversight Division, at (202) 728-8985, or Elliott Levine, Chief Counsel and Senior Advisor, Market Operations and Information Services, Markets, Services, and Information Division, at (202) 728-8405.

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

(a) Purpose

The proposed rule change would continue the dissemination of transactions in a very small number (i.e., fewer than 15) of Non-Investment Grade TRACE-eligible

securities that are currently subject to dissemination, but that would not be disseminated during the first stage of implementation (although eligible for delayed dissemination) of the recently approved amendments to the Rule 6200 Series that become effective on October 1, 2004 (SR-NASD-2004-094). The proposed rule change would, during the first stage of the two-stage implementation of the dissemination changes taking effect on October 1, 2004, allow NASD to continue to provide transaction information on such TRACE-eligible securities, rather than reduce transparency during such implementation. This action is in furtherance of the general principles of transparency and the increase in transparency of all TRACE-eligible securities, as discussed by the Bond Transaction Reporting Committee, an advisory committee to the Board of Governors of NASD.

As discussed below, NASD is filing the proposed rule change for immediate effectiveness, and the implementation date will be October 1, 2004.

(b) 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. NASD believes that the proposed rule change will promote transparency in the debt securities markets for the benefit of customers and other market participants in furtherance of the public interest and for the protection of investors.

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,

as amended.

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.

6. Extension of Time Period for Commission Action

Not applicable.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act and paragraph (f)(6) of Rule 19b-4 thereunder, in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days (or such shorter time as the SEC may designate if consistent with the protection of investors and the public interest) after the date of this filing. NASD has requested that the SEC waive the requirement of Rule 19b-4(f)(6)(iii) that a written notice of intent to file the proposed rule change, along with a brief description and text of the proposed rule change, be submitted at least five business days prior to the date of filing. In addition, NASD has requested that the SEC waive the 30-day operative delay set forth in Rule 19b-4(f)(6)(iii). NASD proposes to make the proposed rule change operative on October 1, 2004.

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

Not applicable.

9. Exhibits

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

Pursuant to the requirements of the Securities Exchange Act of 1934, NASD has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

NASD

BY: _____
Patrice Gliniecki
Senior Vice President and Deputy General Counsel
NASD, Regulatory Policy and Oversight

Date: September 30, 2004

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- [leave space] ; File No. SR-NASD-2004-148)

[leave space for date]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Amendments to TRACE Rule 6250

Pursuant to Section 19(b)(3) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on [leave space] , 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 proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act and paragraph (f)(6) of Rule 19b-4 under the Act,³ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days (or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest) after the date of this filing. NASD has requested that the SEC waive the requirement of Rule 19b-4(f)(6)(iii) that a written notice of intent to file the proposed rule change, along with a brief description and text of the proposed rule change, be submitted at least five business days prior to the date of filing. NASD also

¹ 15 U.S.C. 78s(b)(3).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4.

has requested that the SEC waive the 30-day pre-operative waiting period, which would make the proposed rule change operating upon filing.

I. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE TERMS OF SUBSTANCE OF THE PROPOSED RULE CHANGE

NASD is proposing to amend Rule 6250 to continue to disseminate transaction information for certain TRACE-eligible securities during Stage One of the implementation of SR-NASD-2004-094, notwithstanding that the securities do not meet the frequency standards for such dissemination set forth in Rule 6250(b)(1)(C)(ii). Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

6250. Dissemination of Transaction Information

(a) through (c) No change.

(d) Dissemination of Transaction Information for Certain Non-Investment Grade TRACE-Eligible Securities

Until such time as the effective date of (1) Rule 6250(a), (2) the portion of proposed Rule 6250(b)(1)(C)(i) not effective as of October 1, 2004, and (3) Rule 6250(b)(2) (being the effective date of "Stage Two"), information for transactions in Non-Investment Grade TRACE-eligible securities that were subject to dissemination under the Rule 6200 Series prior to October 1, 2004, but that do not meet the frequency standards set forth in Rule 6250(b)(1)(C)(ii), will continue to be disseminated immediately upon receipt of the transaction report. Following the effective date of Stage Two, dissemination of such securities will be subject to all provisions of the Rule 6200

Series then in effect, at which time this paragraph (d) of Rule 6250 shall automatically expire by its own terms.

* * * * *

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

The proposed rule change would continue the dissemination of transactions in a very small number (i.e., fewer than 15) of Non-Investment Grade TRACE-eligible securities that are currently subject to dissemination, but that would not be disseminated during the first stage of implementation (although eligible for delayed dissemination) of the recently approved amendments to the Rule 6200 Series that become effective on October 1, 2004 (SR-NASD-2004-094). The proposed rule change would, during the first stage of the two-stage implementation of the dissemination changes taking effect on October 1, 2004, allow NASD to continue to provide transaction information on such TRACE-eligible securities, rather than reduce transparency during such implementation. This action is in furtherance of the general principles of transparency and the increase in transparency of all TRACE-eligible securities, as discussed by the Bond Transaction

Reporting Committee, an advisory committee to the Board of Governors of NASD.

As discussed below, NASD is filing the proposed rule change for immediate effectiveness, and the implementation date will be October 1, 2004.

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. NASD believes that the proposed rule change will promote transparency in the debt securities markets for the benefit of customers and other market participants in furtherance of the public interest and for the protection of investors.

(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, as amended.

(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

The proposed rule change has been filed by NASD as a “non-controversial” rule change under Rule 19b-4(f)(6) under the Act.⁴ Consequently, because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the

public interest; (2) does not impose any significant burden on competition; and (3) does not become operative until [operative date], more than 30 days from [date of filing], (or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest), it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. NASD has requested that the SEC waive the requirement of Rule 19b-4(f)(6)(iii) that a written notice of intent to file the proposed rule change, along with a brief description and text of the proposed rule change, be submitted at least five business days prior to the date of filing. NASD also has requested that the SEC waive the 30-day pre-operative waiting period, which would make the proposed rule change operating upon filing.

At any time within 60 days of this filing, the Commission may summarily abrogate this proposal if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Comments also may be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. SR-NASD-2004-148. This file number should be included on the subject line if e-mail is

used. To help us process and review comments more efficiently, comments should be sent in hardcopy or by e-mail but not by both methods. 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 will also be available for inspection and copying at the principal office of NASD. All submissions should refer to the file number in the caption above and should be submitted by [insert date 21 days from the date of publication].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland
Deputy Secretary
