

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2006 - 065

Amendment No.

Proposed Rule Change by National Association of Securities Dealers

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

Initial ☒ Amendment ☐ Withdrawal ☐

Section 19(b)(2) ☐Section 19(b)(3)(A) ☒Section 19(b)(3)(B) ☐

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☒ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Pilot ☐ Extension of Time Period
for Commission Action ☐ Date Expires

Exhibit 2 Sent As Paper Document
☐

Exhibit 3 Sent As Paper Document
☐

Description

Provide a brief description of the proposed rule change (limit 250 characters).

Establishment of branch office system processing fee and waiver of branch office system processing fee and branch office registration fee

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 Last Name
Title
E-mail
Telephone Fax

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.

Date

By
(Name)

(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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS 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

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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

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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.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ 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 Section 4 of Schedule A to the NASD By-Laws to: (1) establish an annual branch office system processing fee; and (2) waive the annual branch office system processing fee for one branch office per member per year and, as specified in the proposed rule change, the annual branch office registration fee for one branch office per member per year. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

SCHEDULE A TO NASD BY-LAWS

* * * * *

Section 4—Fees

(a) Each member shall be assessed a registration fee of \$75.00 [for] and a branch office system processing fee of \$20.00 upon the registration of each branch office, as defined in the By-Laws. Each member also shall be assessed: (1) an annual registration fee [for each branch office] in an amount equal to the lesser of [(1)] (i) \$75.00 per registered branch, or [(2)] (ii) the product of \$75.00 and the number of registered representatives and registered principals associated with the member at the end of

¹ 15 U.S.C. 78s(b)(1).

NASD's fiscal year; and (2) an annual branch office system processing fee of \$20.00 per registered branch. As of July 3, 2006, NASD shall waive, for one branch office per member per year, payment of the \$75.00 annual registration fee (where such fee has been assessed pursuant to paragraph (a)(1)(i)) and the \$20.00 annual branch office system processing fee assessed pursuant to paragraph (a)(2).

(b) through (h) No Change.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change to establish a branch office system processing fee was approved by the Board of Governors of NASD ("Board") at its meeting on September 22, 2005, which authorized the filing of the rule change with the SEC. The proposed rule change with respect to the waiver of payment of both the annual branch office registration fee and the annual branch office system processing fee for one branch office per member per year has been approved by the Board and authorized for filing with the SEC pursuant to a delegation of authority granted by the Board at its meeting on July 31, 2003 to the General Counsel of Regulatory Policy and Oversight (or his or her written officer designee) ("Delegation of Authority") to file, without further specific Board authorization, rule changes as may be necessary to effectuate current provisions within existing rules that allow NASD staff to grant exemptions or to amend rules and rule proposals to provide for exemptions. The staff will advise the Board of any action taken pursuant to the Delegation of Authority.

Counsel for the Nasdaq Stock Market and NASD Dispute Resolution were provided an opportunity to consult with respect to the proposed rule change, pursuant to the Plan of Allocation and Delegation of Functions by NASD to its Subsidiaries. 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 NASD Board of Governors to adopt amendments to NASD Rules without recourse to the membership for approval.

NASD has filed the proposed rule change for immediate effectiveness. The implementation date shall be July 3, 2006.

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

(a) Purpose

On September 30, 2005, the SEC approved NASD's proposed Uniform Branch Office Registration Form ("Form BR"), which became effective on October 31, 2005. The Form BR replaces Schedule E of the Form BD, the New York Stock Exchange, Inc. ("NYSE") Branch Office Application Form and certain state branch office forms. The Form BR enables firms to register branch offices electronically with NASD, the NYSE and states that require branch registration or reporting via a single filing through the Central Registration Depository ("CRD®" or "CRD system"). Branch office registration through the CRD system creates efficiencies for firms by, among other things, making it easier for firms to register or report branch offices and to manage their ongoing registration and/or reporting responsibilities with regard to those branch offices. In addition to being able to submit a single filing to fulfill the branch office registration requirements of NASD, the NYSE, and states, firms benefit from the centralized fee collection, online work queues, electronic notifications and other features available

through the CRD system. Firms are also able to link their registered persons to the physical location from which they work via the Form BR, which not only aids regulators' examination efforts, but helps firms in meeting certain recordkeeping requirements.

The purpose of the branch office system processing fee is to recover the cost to NASD of developing and implementing the Form BR as well as ongoing branch office system maintenance and enhancements. The fee is \$20.00 upon the registration of a branch office and \$20.00 annually thereafter per registered branch.

NASD proposes to begin assessing the branch office system processing fee during the third quarter of 2006 for all branch offices in existence as of July 3, 2006. NASD proposes to bill firms for all branch offices in existence as of July 3, 2006 via invoices, rather than through the CRD system. For any branch office that is registered on or after July 3, 2006, NASD proposes to assess and collect the branch office system processing fee through the CRD system at such time as the firm registers that new branch office.² Starting in December 2006, all firms will be assessed \$20.00 annually for each existing branch office as part of the CRD renewal program.³

² The CRD system will be available on July 3, 2006, for purposes of registering branch offices, but will not be available on July 4, 2006. Firms will again be able to register branch offices through the CRD system on July 5, 2006.

³ This proposed rule change addresses the assessment and collection of branch office system processing fees and the waiver of both the annual branch office registration fee and the annual branch office system processing fee for one branch office per member per year only with respect to NASD member firms. The manner of assessment and collection of branch office system processing fees from firms that are solely members of other self-regulatory organizations ("SROs") that require their members to register branch offices via the Form BR (currently, only the NYSE) will be addressed by such SROs.

In addition, NASD is proposing to waive the annual branch office registration fee (for those NASD members who have been assessed such fee pursuant to Section 4(a)(1)(i) of Schedule A to the NASD By-Laws) and the annual branch office system processing fee (for all NASD members) for one branch office per NASD member per year. The fee waiver is prospective only, and will take effect for the year 2006 on July 3, 2006, the implementation date of this proposed rule change.⁴

As noted in Item 2 of this filing, NASD has filed the proposed rule change for immediate effectiveness. The implementation date shall be July 3, 2006.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Sections 15A(b)(5) of the Act,⁵ which require, among other things, that NASD rules provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system that NASD operates or controls. NASD believes that the proposed rule change is designed to accomplish these ends by equitably assessing the costs of establishing and maintaining the CRD branch office registration system.

⁴ Firms that have already paid their annual \$75.00 branch office fees for the year 2006 will receive a \$75.00 credit for one branch office.

⁵ 15 U.S.C. 78o-3(b)(5) and (6).

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.

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)(A)⁶ of the Act and paragraph (f)(2) of Rule 19b-4 thereunder,⁷ in that the proposed rule change establishes or changes a due, fee, or other charge applicable to NASD members. The implementation date shall be July 3, 2006.

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

Not applicable.

9. Exhibits

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

⁶ 15 U.S.C. 78s(b)(3)(A)(i).

⁷ 17 CFR 240.19b-4(f)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2006-065)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing of and Immediate Effectiveness of Proposed Rule Change Relating to the Establishment of an Annual Branch Office System Processing Fee and the Waiver of the Annual Branch Office System Processing Fee and the Annual Branch Office Registration Fee For One Branch Office Per Member Per Year

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , 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 Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

NASD is proposing to amend Section 4 of Schedule A to the NASD By-Laws to (1) establish an annual branch office system processing fee; and (2) waive the annual branch office system processing fee for one branch office per member per year and, as specified in the proposed rule change, the annual branch office registration fee for one branch office per member per year. Below is the text of the proposed rule change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

SCHEDULE A TO NASD BY-LAWS

* * * * *

Section 4—Fees

(a) Each member shall be assessed a registration fee of \$75.00 [for] and a branch office system processing fee of \$20.00 upon the registration of each branch office, as defined in the By-Laws. Each member also shall be assessed: (1) an annual registration fee [for each branch office] in an amount equal to the lesser of [(1)] (i) \$75.00 per registered branch, or [(2)] (ii) the product of \$75.00 and the number of registered representatives and registered principals associated with the member at the end of NASD's fiscal year; and (2) an annual branch office system processing fee of \$20.00 per registered branch. As of July 3, 2006, NASD shall waive, for one branch office per member per year, payment of the \$75.00 annual registration fee (where such fee has been assessed pursuant to paragraph (a)(1)(i)) and the \$20.00 annual branch office system processing fee assessed pursuant to paragraph (a)(2).

(b) through (h) No Change.

* * * * *

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

On September 30, 2005, the SEC approved NASD's proposed Uniform Branch Office Registration Form ("Form BR"), which became effective on October 31, 2005. The Form BR replaces Schedule E of the Form BD, the New York Stock Exchange, Inc. ("NYSE") Branch Office Application Form and certain state branch office forms. The Form BR enables firms to register branch offices electronically with NASD, the NYSE and states that require branch registration or reporting via a single filing through the Central Registration Depository ("CRD®" or "CRD system"). Branch office registration through the CRD system creates efficiencies for firms by, among other things, making it easier for firms to register or report branch offices and to manage their ongoing registration and/or reporting responsibilities with regard to those branch offices. In addition to being able to submit a single filing to fulfill the branch office registration requirements of NASD, the NYSE, and states, firms benefit from the centralized fee collection, online work queues, electronic notifications and other features available through the CRD system. Firms are also able to link their registered persons to the physical location from which they work via the Form BR, which not only aids regulators' examination efforts, but helps firms in meeting certain recordkeeping requirements.

The purpose of the branch office system processing fee is to recover the cost to NASD of developing and implementing the Form BR as well as ongoing branch office

system maintenance and enhancements. The fee is \$20.00 upon the registration of a branch office and \$20.00 annually thereafter per registered branch.

NASD proposes to begin assessing the branch office system processing fee during the third quarter of 2006 for all branch offices in existence as of July 3, 2006. NASD proposes to bill firms for all branch offices in existence as of July 3, 2006 via invoices, rather than through the CRD system. For any branch office that is registered on or after July 3, 2006, NASD proposes to assess and collect the branch office system processing fee through the CRD system at such time as the firm registers that new branch office.³ Starting in December 2006, all firms will be assessed \$20.00 annually for each existing branch office as part of the CRD renewal program.⁴

In addition, NASD is proposing to waive the annual branch office registration fee (for those NASD members who have been assessed such fee pursuant to Section 4(a)(1)(i) of Schedule A to the NASD By-Laws) and the annual branch office system processing fee (for all NASD members) for one branch office per NASD member per

³ The CRD system will be available on July 3, 2006, for purposes of registering branch offices, but will not be available on July 4, 2006. Firms will again be able to register branch offices through the CRD system on July 5, 2006.

⁴ This proposed rule change addresses the assessment and collection of branch office system processing fees and the waiver of both the annual branch office registration fee and the annual branch office system processing fee for one branch office per member per year only with respect to NASD member firms. The manner of assessment and collection of branch office system processing fees from firms that are solely members of other self-regulatory organizations (“SROs”) that require their members to register branch offices via the Form BR (currently, only the NYSE) will be addressed by such SROs.

year. The fee waiver is prospective only, and will take effect for the year 2006 on July 3, 2006, the implementation date of this proposed rule change.⁵

NASD has filed the proposed rule change for immediate effectiveness. The implementation date shall be July 3, 2006.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Sections 15A(b)(5) and 15A(b)(6) of the Act⁶, which require, among other things, that NASD rules provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system that NASD operates or controls, and 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 is designed to accomplish these ends by equitably assessing the costs of establishing and maintaining the CRD branch office registration system among all such firms.

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.

⁵ Firms that have already paid their annual \$75.00 branch office fees for the year 2006 will receive a \$75.00 credit for one branch office.

⁶ 15 U.S.C. 78o-3(b)(5) and (6).

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 is effective upon filing pursuant to Section 19(b)(3)(A)⁷ of the Act and paragraph (f)(2) of Rule 19b-4 thereunder,⁸ in that the proposed rule change establishes or changes a due, fee, or other charge applicable to NASD members. The implementation date shall be July 3, 2006.

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. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2006-065 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

⁷ 15 U.S.C. 78s(b)(3)(A)(i).

⁸ 17 CFR 240.19b-4(f)(2).

All submissions should refer to File Number SR-NASD-065. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). 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 also will be available for inspection and copying at the principal office of NASD.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASD-2006-065 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Nancy M. Morris

Secretary

⁹ 17 CFR 200.30-3(a)(12).