

OMB APPROVAL

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

File No. SR - 2006 - 081

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).

Proposed rule change to adopt new NASD Rule 5150 to require an NASD member that is registered as a Nasdaq market maker in a non-Nasdaq exchange-listed security to comply with NASD Rule 5262 relating to trade-throughs with respect to that security.

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.

STEPHANIE DUMONT,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

Add

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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

Add

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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

Add

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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 Sent As Paper Document

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Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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

Add

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View

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 adopt, in anticipation of The NASDAQ Stock Market LLC (the “Nasdaq Exchange”) beginning to trade non-Nasdaq exchange-listed securities on an unlisted trading privileges (“UTP”) basis, new NASD Rule 5150 to require an NASD member that is registered as a market maker with the Nasdaq Exchange in a non-Nasdaq exchange-listed security to comply with the provisions of NASD Rule 5262 relating to trade-throughs with respect to that security for trades reported to NASD.

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

**5000. [OTHER NASDAQ AND NASD MARKETS]TRADING OTHERWISE
THAN ON AN EXCHANGE**

* * * * *

5150. Applicability of Trade-Through Rule to Nasdaq Market Makers

An NASD member shall comply with the provisions of Rule 5262 (Trade-Throughs), as if it were an ITS/CAES market maker, for purposes of transactions that are reported to NASD in any ITS Security, as that term is defined in Rule 5210(c), in which such member is registered as a market maker with The NASDAQ Stock Market LLC.

¹ 15 U.S.C. 78s(b)(1).

For purposes of this Rule 5150, the term “Block Transaction” under Rule 5262(a)(7)(B) shall mean any trade that involves 10,000 or more shares of an ITS security or a quantity of any such security having a market value of \$200,000 or more.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved on June 9, 2005 by the Executive Committee of the Board of Governors of NASD, which authorized the filing of the rule change with the Commission. 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.

The effective date of the proposed rule change will be the date upon which the Nasdaq Exchange begins to trade non-Nasdaq exchange-listed securities on a UTP basis.

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

(a) Purpose

The proposed rule change is filed in anticipation of the Nasdaq Exchange operating as a national securities exchange for purposes of trading non-Nasdaq exchange-listed securities on a UTP basis. NASD is proposing a new rule to require an NASD member that is registered as a market maker with the Nasdaq Exchange in an ITS Security, as defined Rule 5210(c), to comply with the provisions of NASD Rule 5262 (Trade-Throughs) with respect to that security for trades reported to NASD.

Background

On July 11, 2005, NASD filed with the Commission proposed rule change SR-NASD-2005-087, which, among other things, proposed amendments to the Plan of Allocation and Delegation of Functions by NASD to Subsidiaries (“Delegation Plan”), NASD By-Laws and NASD rules to reflect The Nasdaq Stock Market, Inc.’s (“Nasdaq”) separation from NASD upon the Nasdaq Exchange’s operation as a national securities exchange.² On June 15, 2006, NASD filed Amendment No. 1 to SR-NASD-2005-087, which, among other things, proposed NASD’s and Nasdaq’s implementation strategy for Nasdaq’s operation as a national securities exchange. On June 30, 2006, the Commission approved SR-NASD-2005-087, as amended, the effective date of which will be the date upon which the Nasdaq Exchange operates as an exchange for Nasdaq-listed securities.³ NASD intends to file a second proposed rule change proposing an NASD facility for over-the-counter quoting and trading of non-Nasdaq exchange-listed securities, to be made available when the Nasdaq Exchange begins to trade such securities on a UTP basis.

Currently, NASD Rule 5262, also known as the Trade-Through Rule, restricts a member registered as an NASD ITS/CAES Market Maker⁴ in an ITS/CAES security⁵

² The SEC approved the Nasdaq Exchange application on January 13, 2006. See Exchange Act Release No. 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006).

³ See Exchange Act Release No. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006).

⁴ For purposes of Rule 5262, “ITS/CAES Market Maker” is defined in Rule 5210(e) as a member that is registered as a market maker for the purposes of participating in the Intermarket Trading System (“ITS”) through the Computer Assisted Execution System (“CAES”) with respect to one or more specified ITS

from purchasing or selling such security, whether as principal or agent, at a price that is lower than the bid or higher than the offer displayed from an ITS Participant Exchange or ITS/CAES Market Maker. Current NASD Rule 5262 applies to all over-the-counter trading by NASD ITS/CAES Market Makers in that security, including trades executed outside of CAES and reported to NASD.

The Nasdaq Exchange established a substantially similar rule, Nasdaq Rule 5262, which, by its terms, would apply to market makers registered with the Nasdaq Exchange (“Nasdaq market makers”) in ITS Securities. However, because the ITS Plan does not require the Nasdaq Exchange, or any other exchange, to have a trade-through rule applicable to its individual market participants, the Nasdaq Exchange has proposed to delete the rule upon integration of the Nasdaq Market Center and Nasdaq’s Brut and INET systems into a single book.⁶ If approved, the Nasdaq Exchange’s rule would be replaced with a trade-through obligation imposed on the Nasdaq Exchange itself.

Further, once the Nasdaq Exchange is operating as an exchange for non-Nasdaq exchange-listed securities, it is expected that some of the current NASD ITS/CAES Market Makers will no longer be registered with NASD in this capacity, but instead will

securities in which the member is then actively registered. The term also includes members that meet the definition of electronic communications network or alternative trading network.

CAES is an automated system that is currently operated by The Nasdaq Stock Market, Inc. NASD members can direct agency and principal orders in exchange-listed securities to CAES for automated execution in the third market.

⁵ The term “ITS Security” is defined in Rule 5210(c) as “any security which may be traded through the [ITS] System by an ITS/CAES Market Maker.”

⁶ See Securities Exchange Act Release No. 53583 (March 31, 2006), 71 FR 19573 (April 14, 2006) (SR-NASDAQ-2006-001).

become registered solely as Nasdaq Market Makers. As such, no trade-through rule would apply to over-the-counter trading activity by these Nasdaq market makers that are not also registered as NASD ITS/CAES market makers. Specifically, NASD Rule 5262 only applies to trading by NASD ITS/CAES market makers. Nasdaq Rule 5262 would be similarly limited in its application to Nasdaq market makers trading on or through the Nasdaq Exchange, and is expected to be eliminated altogether upon approval of the Nasdaq Exchange's system integration.

Proposed New Rule 5150

NASD is proposing new Rule 5150⁷ that would subject an NASD member registered as a market maker with the Nasdaq Exchange in an ITS Security to the provisions of NASD Rule 5262 for purposes of trades in that ITS Security reported to NASD, as if such market maker was an ITS/CAES Market Maker. Thus, an NASD member that is a Nasdaq market maker trading ITS Securities otherwise than on an exchange – for example, through the Trade Reporting Facility approved as part of SR-NASD-2005-087 – would be subject to the provisions of NASD Rule 5262, including its trade-through complaint procedures.

All of the exclusions to the Trade-Through Rule applicable under Rule 5262(a) would be available to Nasdaq market makers subject to proposed Rule 5150 and would apply as they do today to ITS/CAES Market Makers, with one limited exception. NASD is proposing that, for purposes of applying the term “Block Transaction” under Rule

⁷ Pursuant to SR-NASD-2005-087, the Rule 5000 Series will be renamed “Trading Otherwise Than On An Exchange” and for purposes of the Rule 5000 Series, “otherwise than on an exchange” will mean a trade effected by an NASD member otherwise than on or through a national securities exchange.

5262(a)(7)(B) to Nasdaq market makers that are not ITS/CAES Market Makers, the term mean any trade that involves 10,000 or more shares of an ITS security or a quantity of any such security having a market value of \$200,000 or more. This limitation makes the term consistent with the definition of “block size” in Regulation NMS Rule 600, which currently serves to exempt certain NASD members from a requirement to become NASD ITS/CAES Market Makers under certain circumstances. As such, Nasdaq market makers that are not also NASD ITS/CAES Market Makers would not be subject to the requirement in Rule 5264(a) to send commitments to other venues when executing block size trades or the other block transaction requirements in Rule 5264(b)(2) and (3), such as the requirement to effect a block trade as a cross or at a price other than the ITS/CAES Market Maker’s quote.

NASD believes proposed Rule 5150 is necessary to maintain the application of the Trade-Through Rule until implementation of SEC Regulation NMS, and specifically the Order Protection Rule mandating intermarket protection against trade-throughs for all Nasdaq and exchange-listed securities.⁸ Effective upon the implementation of the Order Protection Rule, NASD would repeal Rule 5150 in favor of a more general rule complying with Regulation NMS.

⁸ See Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005) (Final Rule).

The effective date for Rule 611, the Order Protection Rule, was August 29, 2005; however, the initial compliance date has been extended from June 29, 2006 to a series of five dates, beginning on October 16, 2006. See Exchange Act Release No. 53829 (May 18, 2006), 71 FR 30038 (May 24, 2006).

As noted in Item 2 of this filing, the effective date of the proposed rule change will be the date upon which the Nasdaq Exchange begins to trade non-Nasdaq exchange-listed securities on a UTP basis.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁹ which requires, among other things, that NASD rules 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 enhance investor protection by maintaining trade through protection for over-the-counter trades in exchange-listed securities.

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

NASD does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.

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

⁹ 15 U.S.C. 78o-3(b)(6).

Not applicable.

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2006-081)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change to Adopt New NASD Rule 5150 Relating to Trade-Throughs

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 adopt, in anticipation of The NASDAQ Stock Market LLC (the “Nasdaq Exchange”) beginning to trade non-Nasdaq exchange-listed securities on an unlisted trading privileges (“UTP”) basis, new NASD Rule 5150 to require an NASD member that is registered as a market maker with the Nasdaq Exchange in a non-Nasdaq exchange-listed security to comply with the provisions of NASD Rule 5262 relating to trade-throughs with respect to that security for trades reported to NASD. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

* * * * *

5000. OTHER NASDAQ AND NASD MARKETS

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5150. Applicability of Trade-Through Rule to Nasdaq Market Makers

An NASD member shall comply with the provisions of Rule 5262 (Trade-Throughs), as if it were an ITS/CAES market maker, for purposes of transactions that are reported to NASD in any ITS Security, as that term is defined in Rule 5210(c), in which such member is registered as a market maker with The NASDAQ Stock Market LLC. For purposes of this Rule 5150, the term “Block Transaction” under Rule 5262(a)(7)(B) shall mean any trade that involves 10,000 or more shares of an ITS security or a quantity of any such security having a market value of \$200,000 or more.

* * * * *

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 is filed in anticipation of the Nasdaq Exchange operating as a national securities exchange for purposes of trading non-Nasdaq exchange-listed securities on a UTP basis. NASD is proposing a new rule to require an NASD

member that is registered as a market maker with the Nasdaq Exchange in an ITS Security, as defined Rule 5210(c), to comply with the provisions of NASD Rule 5262 (Trade-Throughs) with respect to that security for trades reported to NASD.

Background

On July 11, 2005, NASD filed with the Commission proposed rule change SR-NASD-2005-087, which, among other things, proposed amendments to the Plan of Allocation and Delegation of Functions by NASD to Subsidiaries (“Delegation Plan”), NASD By-Laws and NASD rules to reflect The Nasdaq Stock Market, Inc.’s (“Nasdaq”) separation from NASD upon the Nasdaq Exchange’s operation as a national securities exchange.³ On June 15, 2006, NASD filed Amendment No. 1 to SR-NASD-2005-087, which, among other things, proposed NASD’s and Nasdaq’s implementation strategy for Nasdaq’s operation as a national securities exchange. On June 30, 2006, the Commission approved SR-NASD-2005-087, as amended, the effective date of which will be the date upon which the Nasdaq Exchange operates as an exchange for Nasdaq-listed securities.⁴ NASD intends to file a second proposed rule change proposing an NASD facility for over-the-counter quoting and trading of non-Nasdaq exchange-listed securities, to be made available when the Nasdaq Exchange begins to trade such securities on a UTP basis.

³ The SEC approved the Nasdaq Exchange application on January 13, 2006. See Exchange Act Release No. 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006).

⁴ See Exchange Act Release No. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006).

Currently, NASD Rule 5262, also known as the Trade-Through Rule, restricts a member registered as an NASD ITS/CAES Market Maker⁵ in an ITS/CAES security⁶ from purchasing or selling such security, whether as principal or agent, at a price that is lower than the bid or higher than the offer displayed from an ITS Participant Exchange or ITS/CAES Market Maker. Current NASD Rule 5262 applies to all over-the-counter trading by NASD ITS/CAES Market Makers in that security, including trades executed outside of CAES and reported to NASD.

The Nasdaq Exchange established a substantially similar rule, Nasdaq Rule 5262, which, by its terms, would apply to market makers registered with the Nasdaq Exchange (“Nasdaq market makers”) in ITS Securities. However, because the ITS Plan does not require the Nasdaq Exchange, or any other exchange, to have a trade-through rule applicable to its individual market participants, the Nasdaq Exchange has proposed to delete the rule upon integration of the Nasdaq Market Center and Nasdaq’s Brut and

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CAES is an automated system that is currently operated by The Nasdaq Stock Market, Inc. NASD members can direct agency and principal orders in exchange-listed securities to CAES for automated execution in the third market.

⁶ The term “ITS Security” is defined in Rule 5210(c) as “any security which may be traded through the [ITS] System by an ITS/CAES Market Maker.”

INET systems into a single book.⁷ If approved, the Nasdaq Exchange's rule would be replaced with a trade-through obligation imposed on the Nasdaq Exchange itself.

Further, once the Nasdaq Exchange is operating as an exchange for non-Nasdaq exchange-listed securities, it is expected that some of the current NASD ITS/CAES Market Makers will no longer be registered with NASD in this capacity, but instead will become registered solely as Nasdaq Market Makers. As such, no trade-through rule would apply to over-the-counter trading activity by these Nasdaq market makers that are not also registered as NASD ITS/CAES market makers. Specifically, NASD Rule 5262 only applies to trading by NASD ITS/CAES market makers. Nasdaq Rule 5262 would be similarly limited in its application to Nasdaq market makers trading on or through the Nasdaq Exchange, and is expected to be eliminated altogether upon approval of the Nasdaq Exchange's system integration.

Proposed New Rule 5150

NASD is proposing new Rule 5150⁸ that would subject an NASD member registered as a market maker with the Nasdaq Exchange in an ITS Security to the provisions of NASD Rule 5262 for purposes of trades in that ITS Security reported to NASD, as if such market maker was an ITS/CAES Market Maker. Thus, an NASD member that is a Nasdaq market maker trading ITS Securities otherwise than on an exchange – for example, through the Trade Reporting Facility approved as part of SR-

⁷ See Securities Exchange Act Release No. 53583 (March 31, 2006), 71 FR 19573 (April 14, 2006) (SR-NASDAQ-2006-001).

⁸ Pursuant to SR-NASD-2005-087, the Rule 5000 Series will be renamed "Trading Otherwise Than On An Exchange" and for purposes of the Rule 5000 Series, "otherwise than on an exchange" will mean a trade effected by an NASD member otherwise than on or through a national securities exchange.

NASD-2005-087 – would be subject to the provisions of NASD Rule 5262, including its trade-through complaint procedures.

All of the exclusions to the Trade-Through Rule applicable under Rule 5262(a) would be available to Nasdaq market makers subject to proposed Rule 5150 and would apply as they do today to ITS/CAES Market Makers, with one limited exception. NASD is proposing that, for purposes of applying the term “Block Transaction” under Rule 5262(a)(7)(B) to Nasdaq market makers that are not ITS/CAES Market Makers, the term mean any trade that involves 10,000 or more shares of an ITS security or a quantity of any such security having a market value of \$200,000 or more. This limitation makes the term consistent with the definition of “block size” in Regulation NMS Rule 600, which currently serves to exempt certain NASD members from a requirement to become NASD ITS/CAES Market Makers under certain circumstances. As such, Nasdaq market makers that are not also NASD ITS/CAES Market Makers would not be subject to the requirement in Rule 5264(a) to send commitments to other venues when executing block size trades or the other block transaction requirements in Rule 5264(b)(2) and (3), such as the requirement to effect a block trade as a cross or at a price other than the ITS/CAES Market Maker’s quote.

NASD believes proposed Rule 5150 is necessary to maintain the application of the Trade-Through Rule until implementation of SEC Regulation NMS, and specifically the Order Protection Rule mandating intermarket protection against trade-throughs for all Nasdaq and exchange-listed securities.⁹ Effective upon the implementation of the Order

⁹ See Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005) (Final Rule).

Protection Rule, NASD would repeal Rule 5150 in favor of a more general rule complying with Regulation NMS.

The effective date of the proposed rule change will be the date upon which the Nasdaq Exchange begins to trade non-Nasdaq exchange-listed securities on a UTP basis.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁰ which requires, among other things, that NASD rules 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 enhance investor protection by maintaining trade through protection for over-the-counter trades in exchange-listed securities.

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.

The effective date for Rule 611, the Order Protection Rule, was August 29, 2005; however, the initial compliance date has been extended from June 29, 2006 to a series of five dates, beginning on October 16, 2006. See Exchange Act Release No. 53829 (May 18, 2006), 71 FR 30038 (May 24, 2006).

¹⁰ 15 U.S.C. 78o-3(b)(6).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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-2006-081 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.

All submissions should refer to File Number SR-NASD-2006-081. 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-2006-081 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.¹¹

Nancy M. Morris

Secretary

¹¹ 17 CFR 200.30-3(a)(12).