

OMB APPROVAL

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

File No. SR - 2006 - 090

Amendment No. 1

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		
Pilot ☐	Extension of Time Period for Commission Action ☐	Date Expires 	☐ 19b-4(f)(1)	☐ 19b-4(f)(4)	
			☐ 19b-4(f)(2)	☐ 19b-4(f)(5)	
			☐ 19b-4(f)(3)	☒ 19b-4(f)(6)	

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).

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 Remove 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”) this Amendment No. 1 to SR-NASD-2006-090, a proposed rule change to adopt a new NASD Rule 7000B Series relating to fees and credits for The Trade Reporting Facility LLC (the “NASD/Nasdaq TRF”) established by NASD and The Nasdaq Stock Market, Inc. (“Nasdaq”). Amendment No. 1 replaces the original rule filing of July 21, 2006 in its entirety. Below is the text of the proposed rule change. Proposed new language is underlined.

* * * * *

7000B. CHARGES FOR NASD/NASDAQ TRADE REPORTING FACILITY SERVICES

7001B. Securities Transaction Credit

NASD members that trade securities listed on the NYSE (“Tape A”), Amex (“Tape B”), or Nasdaq (“Tape C”) in over-the-counter transactions reported to the Trade Reporting Facility may receive from the Trade Reporting Facility transaction credits based on the transactions attributed to them. A transaction is attributed to a member if the member is identified as the executing party in a trade report submitted to the Trade Reporting Facility that the Trade Reporting Facility submits to the Consolidated Tape

¹ 15 U.S.C. 78s(b)(1).

Association or the Nasdaq Securities Information Processor. An NASD member may earn credits from any of three pools maintained by the Trade Reporting Facility. The Tape A, Tape B, and Tape C pools represent 50% of the revenue paid by the Consolidated Tape Association or the Nasdaq Securities Information Processor with respect to the Trade Reporting Facility for each of Tape A, Tape B, and Tape C transactions after deducting the amount, if any, that the Trade Reporting Facility pays to the Consolidated Tape Association or the Nasdaq Securities Information Processor for capacity usage. An NASD member may earn credits from the pools according to the pro rata share of revenue attributable to over-the-counter transactions reported to the Trade Reporting Facility by the member in each of Tape A, Tape B, and Tape C for each calendar quarter. Credits will be paid on a quarterly basis.

7002B. Trade Reporting Facility Reporting Fees

The following charges shall be paid by participants for use of the Trade Reporting Facility. In the case of trades where the same market participant is on both sides of a trade report, applicable fees assessed on a “per side” basis will be assessed once, rather than twice.

<u>Transaction Related Charges:</u>	
<u>Reporting of transactions in Nasdaq-listed securities not subject to comparison through the Trade Reporting Facility</u>	<u>No charge</u>
<u>Reporting of transactions in stocks reported to the Consolidated Tape Association not subject to comparison through the Trade Reporting Facility</u>	

<u>(“CTA Covered Transactions”)</u>	
<u>Average daily volume of media transaction reports for CTA Covered Transactions during the month that are submitted or introduced by such participant to the Trade Reporting Facility, in which the participant is identified as the reporting party:</u>	<u>Fee per side for reports of CTA Covered Transactions to which such participant is a party:</u>
<u>0 to 5,000</u>	<u>\$0.029</u>
<u>More than 5,000</u>	<u>\$0.029 for a number of reports equal to 5,000 times the number of trading days in the month</u> <u>\$0.00 for all remaining reports</u>
<u>Reporting of all other transactions not subject to comparison through the Trade Reporting Facility</u>	<u>\$0.029/side</u>
<u>Comparison</u>	<u>\$0.0144/side per 100 shares (minimum 400 shares; maximum 7,500 shares)</u>
<u>Late Report — T+N</u>	<u>\$0.288/side</u>
<u>Query</u>	<u>\$0.50/query</u>
<u>Corrective Transaction Charge</u>	<u>\$0.25/Cancel, Error, Inhibit, Kill, or ‘No’ portion of No/Was transaction, paid by reporting side; \$0.25/Break, Decline transaction, paid by each party</u>

7003B. Aggregation of Activity of Affiliated Members

(a) For purposes of applying any provision of the Rule 7000B Series that reflects a charge assessed, or credit provided, by the Trade Reporting Facility, a member may request that the Trade Reporting Facility aggregate its activity with the activity of its

affiliates. A member requesting aggregation of affiliate activity shall be required to certify to NASD the affiliate status of entities whose activity it seeks to aggregate prior to receiving approval for aggregation, and shall be required to inform NASD immediately of any event that causes an entity to cease to be an affiliate. In addition, NASD reserves the right to request information to verify the affiliate status of an entity.

(b) For purposes of applying any provision of the Rule 7000B Series that reflects a charge assessed, or credit provided, by the Trade Reporting Facility, references to an entity (including references to a “member,” a “participant,” or a “Trade Reporting Facility Participant”) shall be deemed to include the entity and its affiliates that have been approved for aggregation.

(c) For purposes of this Rule 7003B, the terms set forth below shall have the following meanings:

(1) An “affiliate” of a member shall mean any wholly owned subsidiary, parent, or sister of the member that is also a member.

(2) A “wholly owned subsidiary” shall mean a subsidiary of a member, 100% of whose voting stock or comparable ownership interest is owned by the member, either directly or indirectly through other wholly owned subsidiaries.

(3) A “parent” shall mean an entity that directly or indirectly owns 100% of the voting stock or comparable ownership interest of a member.

(4) A “sister” shall mean an entity, 100% of whose voting stock or comparable ownership interest is owned by a parent that also owns 100% of the voting stock or comparable ownership interest of a member.

7004B. Late Fees

(a) All charges imposed by the Trade Reporting Facility that are past due 45 days or more will be subject to a late fee computed by taking the summation of one and one-half percent (1 ½%) of the amount past due for the first month plus one and one-half percent (1 ½%) of the amount past due for any month thereafter, compounded by late fees assessed for previous months.

(b) To illustrate how late fees are assessed, if an account is past due \$1,000 for 45 days, the late fee would be \$30.22. This charge reflects a charge of \$15 for the first month past due (\$1,000 x 1 ½%) and \$15.22 for the second month past due (\$1,015 x 1 ½%).

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Executive Committee of the Board of Governors of NASD approved the proposed rule change via Unanimous Written Consent on June 2, 2006, and 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 NASD Rules without recourse to the membership for approval.

NASD is filing the proposed rule change for immediate effectiveness. NASD proposes that the proposed rule change will be effective with respect to Nasdaq-listed

securities as of August 1, 2006, the day on which the NASD/Nasdaq TRF commenced operating with respect to such securities. NASD proposes to implement the proposed rule change with respect to non-Nasdaq exchange-listed securities when the NASD/Nasdaq TRF receives Commission approval and commences operation with respect to such securities.

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

(a) Purpose

NASD is filing this Amendment No. 1 in response to the Commission's request for certain clarifying changes to the original rule filing of July 21, 2006. Amendment No. 1 supersedes and replaces the original rule filing in its entirety.

NASD is proposing to adopt a new NASD Rule 7000B Series relating to fees and credits applicable to the NASD/Nasdaq TRF, which was recently approved by the Commission for collecting over-the-counter trade reports in Nasdaq-listed securities.² In accordance with NASD policy regarding the NASD/Nasdaq TRF and other trade reporting facilities that NASD may establish with other registered national securities exchanges, the fees and credits reflected in the proposal have been developed and approved by the officers and the Board of Directors of the NASD/Nasdaq TRF, and have also been reviewed and approved by NASD staff and the NASD Board as consistent, in the view of NASD, with the requirements of the Act.

² See Exchange Act Release No. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006) (File No. SR-NASD-2005-087). NASD intends to file an additional proposed rule change to allow the NASD/Nasdaq TRF to collect trade reports for non-Nasdaq exchange-listed securities.

The fee schedule set forth in proposed new Rule 7002B is identical to Nasdaq's current fee schedule for its Automated Confirmation Transaction (ACT) system contained in NASD Rule 7010(g) (Nasdaq Market Center Trade Reporting). Under the proposed fee schedule, reporting of trades that do not use the NASD/Nasdaq TRF's comparison functionality (i.e., "locked-in trades") in Nasdaq-listed securities is free. Reporting of locked-in trades in other securities will be subject to a charge of \$0.029 per side, but market participants reporting an average daily volume of more than 5000 trades per day in stocks reported to the Consolidated Tape Association ("CTA") during a month will pay the charge only for a number of trades equal to 5000 times the number of trading days in the month. Under proposed new Rule 7003B, which is identical to current NASD Rule 7020 (Aggregation of Activity of Affiliated Members), affiliated members using the NASD/Nasdaq TRF may aggregate their activity for purposes of determining eligibility for this volume based-discount.

The Comparison charge in proposed new Rule 7002B is \$0.0144 per side per 100 shares, with a minimum charge of 400 shares and a maximum charge of 7,500 shares. The Late Report fee is \$0.288 per side, the Query charge is \$0.50 per query, and the Corrective Transaction Charge is \$0.25, paid by the reporting party or both parties, depending on the nature of the correction. The NASD/Nasdaq TRF will assess a compounding late charge of 1½% per month for fees past due 45 days or more.

In addition, NASD is proposing to adopt a transaction credit program under proposed new NASD Rule 7001B with respect to trades reported to the NASD/Nasdaq TRF that would allow participants to share market data revenue associated with trades in

stocks listed on the New York Stock Exchange (“Tape A”) and the American Stock Exchange (“Tape B”). Under the program, NASD members reporting trades in those stocks to the NASD/Nasdaq TRF will receive 50% of the market data revenue earned by the NASD/Nasdaq TRF with respect to those trade reports, after deducting any amounts that the NASD/Nasdaq TRF will be required to pay to the CTA for capacity usage. The credits are paid on a quarterly basis. The proposed transaction credit program is identical to Nasdaq’s current transaction credit program for Tape A and Tape B stocks pursuant to NASD Rule 7010(b)(2) (Exchange-Listed Securities Transaction Credit).

NASD is also proposing to adopt under new Rule 7001B a transaction credit program for securities listed on the Nasdaq Stock Market (“Tape C”) that mirrors the transaction credit program for Tape A and Tape B stocks. It should be noted that Tape A and Tape B revenue is currently distributed to NASD and exchanges based on number of trades reported, while Tape C revenue is distributed based on an average of number of trades and number of shares reported. The proposed rule language accommodates this difference between the national market system plans by basing the credits on the pro rata share of revenue attributable to a member’s trade reports. Thus, a member will receive 50% of the revenue attributable to its trade reports in each of the three tapes.

As noted in Item 2 of this filing, NASD is filing the proposed rule change for immediate effectiveness. NASD proposes that the proposed rule change will be effective with respect to Nasdaq-listed securities as of August 1, 2006, the day on which the NASD/Nasdaq TRF commenced operating with respect to such securities. NASD proposes to implement the proposed rule change with respect to non-Nasdaq exchange-

listed securities when the NASD/Nasdaq TRF receives Commission approval and commences operation with respect to such securities.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,³ in general, and with Section 15A(b)(5) of the Act,⁴ in particular, which requires, 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 a reasonable and equitable fee and credit structure and is identical to or mirrors pre-existing fees and credits established by Nasdaq during its operation as a facility of NASD.

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.

³ 15 U.S.C. 78o-3.

⁴ 15 U.S.C. 78o-3(b)(5).

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,⁵ 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 after filing. NASD believes that the filing is appropriately designated as “non-controversial” because the proposed fees are identical to the current fee schedule under Rule 7010(g). Similarly, the proposed transaction credit program for transactions in Tape A and Tape B stocks is identical to the current transaction credit program under NASD Rule 7010(b)(2), and the proposed transaction credit program for transactions in Tape C stocks mirrors the transaction credit program for Tape A and B stocks. In accordance with Rule 19b-4,⁶ NASD submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.

NASD requests that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii).⁷ Waiver of the 30-day waiting period is necessary in light of the fact that the NASD/Nasdaq TRF commenced operating with respect to Nasdaq-listed securities on August 1, 2006. If such waiver is granted by the Commission, the proposed

⁵ 17 CFR 240.19b-4.

⁶ 17 CFR 240.19b-4.

⁷ 17 CFR 240.19b-4(f)(6)(iii).

rule change will be effective with respect to Nasdaq-listed securities as of August 1, 2006. NASD will implement the proposed rule change with respect to non-Nasdaq exchange-listed securities when the NASD/Nasdaq TRF receives Commission approval and commences operation with respect to such securities.

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-2006-090)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Regarding Fees and Credits for the NASD/Nasdaq Trade Reporting Facility

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 July 21, 2006, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or "Commission") proposed rule change SR-NASD-2006-090 as described in Items I, II, and III below, which Items have been prepared by NASD. On August 7, 2006, NASD filed Amendment No. 1 to the proposed rule change in response to the Commission's request for certain clarifying changes to the original rule filing of July 21, 2006.³ NASD has designated the proposed rule change as constituting a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 under the Act,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 superseded and replaced the original rule filing in its entirety.

⁴ 17 CFR 240.19b-4.

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

NASD is proposing to adopt a new NASD Rule 7000B Series relating to fees and credits for The Trade Reporting Facility LLC (the "NASD/Nasdaq TRF") established by NASD and The Nasdaq Stock Market, Inc. ("Nasdaq"). NASD has filed the proposed rule change for immediate effectiveness. NASD proposes that the proposed rule change will be effective with respect to Nasdaq-listed securities as of August 1, 2006, the day on which the NASD/Nasdaq TRF commenced operating with respect to such securities. NASD proposes to implement the proposed rule change with respect to non-Nasdaq exchange-listed securities when the NASD/Nasdaq TRF receives Commission approval and commences operation with respect to such securities.

Below is the text of the proposed rule change. Proposed new language is in italics.

* * * * *

7000B. CHARGES FOR NASD/NASDAQ TRADE REPORTING FACILITY SERVICES

7001B. Securities Transaction Credit

NASD members that trade securities listed on the NYSE ("Tape A"), Amex ("Tape B"), or Nasdaq ("Tape C") in over-the-counter transactions reported to the Trade Reporting Facility may receive from the Trade Reporting Facility transaction credits based on the transactions attributed to them. A transaction is attributed to a member if the member is identified as the executing party in a trade report submitted to the Trade Reporting Facility that the Trade Reporting Facility submits to the Consolidated Tape

Association or the Nasdaq Securities Information Processor. An NASD member may earn credits from any of three pools maintained by the Trade Reporting Facility. The Tape A, Tape B, and Tape C pools represent 50% of the revenue paid by the Consolidated Tape Association or the Nasdaq Securities Information Processor with respect to the Trade Reporting Facility for each of Tape A, Tape B, and Tape C transactions after deducting the amount, if any, that the Trade Reporting Facility pays to the Consolidated Tape Association or the Nasdaq Securities Information Processor for capacity usage. An NASD member may earn credits from the pools according to the pro rata share of revenue attributable to over-the-counter transactions reported to the Trade Reporting Facility by the member in each of Tape A, Tape B, and Tape C for each calendar quarter. Credits will be paid on a quarterly basis.

7002B. Trade Reporting Facility Reporting Fees

The following charges shall be paid by participants for use of the Trade Reporting Facility. In the case of trades where the same market participant is on both sides of a trade report, applicable fees assessed on a “per side” basis will be assessed once, rather than twice.

<u>Transaction Related Charges:</u>	
<u>Reporting of transactions in Nasdaq-listed securities not subject to comparison through the Trade Reporting Facility</u>	<u>No charge</u>
<u>Reporting of transactions in stocks reported to the Consolidated Tape Association not subject to comparison through the Trade Reporting Facility</u>	

<u>(“CTA Covered Transactions”)</u>	
<u>Average daily volume of media transaction reports for CTA Covered Transactions during the month that are submitted or introduced by such participant to the Trade Reporting Facility, in which the participant is identified as the reporting party:</u>	<u>Fee per side for reports of CTA Covered Transactions to which such participant is a party:</u>
<u>0 to 5,000</u>	<u>\$0.029</u>
<u>More than 5,000</u>	<u>\$0.029 for a number of reports equal to 5,000 times the number of trading days in the month</u> <u>\$0.00 for all remaining reports</u>
<u>Reporting of all other transactions not subject to comparison through the Trade Reporting Facility</u>	<u>\$0.029/side</u>
<u>Comparison</u>	<u>\$0.0144/side per 100 shares (minimum 400 shares; maximum 7,500 shares)</u>
<u>Late Report — T+N</u>	<u>\$0.288/side</u>
<u>Query</u>	<u>\$0.50/query</u>
<u>Corrective Transaction Charge</u>	<u>\$0.25/Cancel, Error, Inhibit, Kill, or ‘No’ portion of No/Was transaction, paid by reporting side; \$0.25/Break, Decline transaction, paid by each party</u>

7003B. Aggregation of Activity of Affiliated Members

(a) For purposes of applying any provision of the Rule 7000B Series that reflects a charge assessed, or credit provided, by the Trade Reporting Facility, a member may request that the Trade Reporting Facility aggregate its activity with the activity of its

affiliates. A member requesting aggregation of affiliate activity shall be required to certify to NASD the affiliate status of entities whose activity it seeks to aggregate prior to receiving approval for aggregation, and shall be required to inform NASD immediately of any event that causes an entity to cease to be an affiliate. In addition, NASD reserves the right to request information to verify the affiliate status of an entity.

(b) For purposes of applying any provision of the Rule 7000B Series that reflects a charge assessed, or credit provided, by the Trade Reporting Facility, references to an entity (including references to a “member,” a “participant,” or a “Trade Reporting Facility Participant”) shall be deemed to include the entity and its affiliates that have been approved for aggregation.

(c) For purposes of this Rule 7003B, the terms set forth below shall have the following meanings:

(1) An “affiliate” of a member shall mean any wholly owned subsidiary, parent, or sister of the member that is also a member.

(2) A “wholly owned subsidiary” shall mean a subsidiary of a member, 100% of whose voting stock or comparable ownership interest is owned by the member, either directly or indirectly through other wholly owned subsidiaries.

(3) A “parent” shall mean an entity that directly or indirectly owns 100% of the voting stock or comparable ownership interest of a member.

(4) A “sister” shall mean an entity, 100% of whose voting stock or comparable ownership interest is owned by a parent that also owns 100% of the voting stock or comparable ownership interest of a member.

7004B. Late Fees

(a) All charges imposed by the Trade Reporting Facility that are past due 45 days or more will be subject to a late fee computed by taking the summation of one and one-half percent (1 ½%) of the amount past due for the first month plus one and one-half percent (1 ½%) of the amount past due for any month thereafter, compounded by late fees assessed for previous months.

(b) To illustrate how late fees are assessed, if an account is past due \$1,000 for 45 days, the late fee would be \$30.22. This charge reflects a charge of \$15 for the first month past due (\$1,000 x 1 ½%) and \$15.22 for the second month past due (\$1,015 x 1 ½%).

* * * * *

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

NASD is proposing to adopt a new NASD Rule 7000B Series relating to fees and credits applicable to the NASD/Nasdaq TRF, which was recently approved by the

Commission for collecting over-the-counter trade reports in Nasdaq-listed securities.⁵ In accordance with NASD policy regarding the NASD/Nasdaq TRF and other trade reporting facilities that NASD may establish with other registered national securities exchanges, the fees and credits reflected in the proposal have been developed and approved by the officers and the Board of Directors of the NASD/Nasdaq TRF, and have also been reviewed and approved by NASD staff and the NASD Board as consistent, in the view of NASD, with the requirements of the Act.

The fee schedule set forth in proposed new Rule 7002B is identical to Nasdaq's current fee schedule for its Automated Confirmation Transaction (ACT) system contained in NASD Rule 7010(g) (Nasdaq Market Center Trade Reporting). Under the proposed fee schedule, reporting of trades that do not use the NASD/Nasdaq TRF's comparison functionality (i.e., "locked-in trades") in Nasdaq-listed securities is free. Reporting of locked-in trades in other securities will be subject to a charge of \$0.029 per side, but market participants reporting an average daily volume of more than 5000 trades per day in stocks reported to the Consolidated Tape Association ("CTA") during a month will pay the charge only for a number of trades equal to 5000 times the number of trading days in the month. Under proposed new Rule 7003B, which is identical to current NASD Rule 7020 (Aggregation of Activity of Affiliated Members), affiliated members using the NASD/Nasdaq TRF may aggregate their activity for purposes of determining eligibility for this volume based-discount.

⁵ See Exchange Act Release No. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006) (File No. SR-NASD-2005-087). NASD intends to file an additional proposed rule change to allow the NASD/Nasdaq TRF to collect trade reports for non-Nasdaq exchange-listed securities.

The Comparison charge in proposed new Rule 7002B is \$0.0144 per side per 100 shares, with a minimum charge of 400 shares and a maximum charge of 7,500 shares. The Late Report fee is \$0.288 per side, the Query charge is \$0.50 per query, and the Corrective Transaction Charge is \$0.25, paid by the reporting party or both parties, depending on the nature of the correction. The NASD/Nasdaq TRF will assess a compounding late charge of 1½% per month for fees past due 45 days or more.

In addition, NASD is proposing to adopt a transaction credit program under proposed new NASD Rule 7001B with respect to trades reported to the NASD/Nasdaq TRF that would allow participants to share market data revenue associated with trades in stocks listed on the New York Stock Exchange (“Tape A”) and the American Stock Exchange (“Tape B”). Under the program, NASD members reporting trades in those stocks to the NASD/Nasdaq TRF will receive 50% of the market data revenue earned by the NASD/Nasdaq TRF with respect to those trade reports, after deducting any amounts that the NASD/Nasdaq TRF will be required to pay to the CTA for capacity usage. The credits are paid on a quarterly basis. The proposed transaction credit program is identical to Nasdaq’s current transaction credit program for Tape A and Tape B stocks pursuant to NASD Rule 7010(b)(2) (Exchange-Listed Securities Transaction Credit).

NASD is also proposing to adopt under new Rule 7001B a transaction credit program for securities listed on the Nasdaq Stock Market (“Tape C”) that mirrors the transaction credit program for Tape A and Tape B stocks. It should be noted that Tape A and Tape B revenue is currently distributed to NASD and exchanges based on number of trades reported, while Tape C revenue is distributed based on an average of number of

trades and number of shares reported. The proposed rule language accommodates this difference between the national market system plans by basing the credits on the pro rata share of revenue attributable to a member's trade reports. Thus, a member will receive 50% of the revenue attributable to its trade reports in each of the three tapes.

NASD has filed the proposed rule change for immediate effectiveness. NASD proposes that the proposed rule change will be effective with respect to Nasdaq-listed securities as of August 1, 2006, the day on which the NASD/Nasdaq TRF commenced operating with respect to such securities. NASD proposes to implement the proposed rule change with respect to non-Nasdaq exchange-listed securities when the NASD/Nasdaq TRF receives Commission approval and commences operation with respect to such securities.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,⁶ in general, and with Section 15A(b)(5) of the Act,⁷ in particular, which requires, 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 a reasonable and equitable fee and credit structure and is identical to or mirrors pre-existing fees and credits established by Nasdaq during its operation as a facility of NASD.

⁶ 15 U.S.C. 78o-3.

⁷ 15 U.S.C. 78o-3(b)(5).

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.

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

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and
- (iii) become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.⁸ In accordance with Rule 19b-4,⁹ NASD submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.

NASD has requested that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii).¹⁰ Waiver of the 30-day waiting period is necessary in light

⁸ 17 CFR 240.19b-4(f)(6).

⁹ 17 CFR 240.19b-4.

¹⁰ 17 CFR 240.19b-4(f)(6)(iii).

of the fact that the NASD/Nasdaq TRF commenced operating with respect to Nasdaq-listed securities on August 1, 2006. If such waiver is granted by the Commission, the proposed rule change will be effective with respect to Nasdaq-listed securities as of August 1, 2006. NASD will implement the proposed rule change with respect to non-Nasdaq exchange-listed securities when the NASD/Nasdaq TRF receives Commission approval and commences operation with respect to such securities.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change 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. 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-2006-090 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-2006-090. 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-2006-090 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).