

Proposed Rule Change by National Association of Securities Dealers
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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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	<input type="text" value="James"/>	Last Name	<input type="text" value="Eastman"/>
Title	<input type="text" value="Assistant General Counsel"/>		
E-mail	<input type="text" value="james.eastman@nasd.com"/>		
Telephone	<input type="text" value="(202) 728-6961"/>	Fax	<input type="text" value="(202) 728-8264"/>

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 Executive Vice President and General Counsel
(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 EFFS 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

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

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

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”) Amendment No. 1 to SR-NASD-2006-110, which was filed on September 19, 2006 to 1) amend Rule 6230 to initiate a two-year pilot program exempting certain TRACE-eligible securities from reporting requirements that otherwise would apply, and 2) amend Rule 6210 and 6230 to reflect the registration of NASDAQ Stock Market, LLC as a national securities exchange. This Amendment No. 1 supersedes and replaces in its entirety the proposed rule change as filed on September 19, 2006. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

6200. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

* * * * *

6210. Definitions

The terms used in this Rule 6200 Series shall have the same meaning as those defined in NASD's By-Laws and Rules unless otherwise specified.

(a) No Change.

(b) No Change.

(c) The term "reportable TRACE transaction" shall mean any secondary market transaction in a TRACE-eligible security except transactions in TRACE-eligible

¹ 15 U.S.C. 78s(b)(1).

securities that are listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, when such transactions are executed on, and reported to the exchange and the transaction information is disseminated publicly[, or transactions in TRACE-eligible securities that are listed and quoted on the Nasdaq Stock Market, Inc. (Nasdaq), when such transactions are reported to Nasdaq and the transaction information is disseminated publicly].

(d)-(j) No Change.

6230. Transaction Reporting

(a) through (d) No Change.

(e) Transactions Exempt from Reporting

The following types of transactions shall not be reported:

- (1) Transactions that are part of a primary distribution by an issuer.
- (2) Transactions in TRACE-eligible securities that are listed on a national securities exchange, when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly[, and transactions in TRACE-eligible securities that are listed and quoted on Nasdaq, when such transactions are reported to Nasdaq and the transaction information is disseminated publicly].
- (3) Transactions where the buyer and the seller have agreed to trade at a price substantially unrelated to the current market for the TRACE-eligible security (e.g., to allow the seller to make a gift).

(4) For the duration of a two-year pilot program, effective upon the later of either: 1) approval of this rule by the Commission, or 2) execution by NASD and the New York Stock Exchange (“NYSE”) of a data sharing agreement addressing data related to transactions covered by this Rule, transactions in TRACE-eligible securities that are executed on a facility of NYSE in accordance with NYSE Rules 1400 and 1401 and reported to NYSE in accordance with NYSE’s applicable trade reporting rules and disseminated publicly by NYSE.

(f) No Change.

* * * * *

2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Board of Governors of NASD (“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 NASD Regulatory Policy and Oversight (or his 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. No other action by NASD is necessary for the filing of this 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.

The implementation date of the proposed rule change will be the later of either: 1) approval of the proposed rule change by the Commission, or 2) execution by NASD and NYSE of a data sharing agreement addressing data related to transactions covered by the proposed rule change.

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

(a) Purpose

NASD is proposing to amend Rule 6230 to exempt from its requirements, for a period of two years, transactions in TRACE-eligible securities executed on a facility of the New York Stock Exchange (“NYSE”) in accordance with NYSE Rules 1400 and 1401, which have been proposed by NYSE and provided that such transactions are reported pursuant to applicable NYSE trade reporting rules and publicly disseminated.² NYSE also has sought related exemptive relief from the Commission that would facilitate NYSE trading of certain debt securities that are not listed on NYSE.³ NASD has proposed amending Rule 6230 to address concerns regarding duplicative trade reporting that would result from the trading of NYSE traded bonds, which otherwise would be subject to both NASD’s and NYSE’s trade reporting requirements.

² See Securities Exchange Act Release No. 51999 (July 8, 2005), 70 FR 41067 (July 15, 2005) (proposing NYSE Rules 1400 and 1401). This Amendment No. 1, which supersedes and replaces in its entirety the proposed rule change as filed on September 19, 2006, makes certain technical changes to SR-NASD-2006-110 and in response to comments from SEC staff replaces a reference in the proposed rule text to NYSE’s Automated Bond System with a reference to “a facility of NYSE.”

³ See Securities Exchange Act Release No. 51998 (July 8, 2005), 70 FR 40748 (July 14, 2005). Debt securities traded on a facility of NYSE, but not listed on NYSE, are herein referred to as “NYSE traded bonds.”

Rule 6230(e)(2) currently exempts transactions in TRACE-eligible securities that are *listed* on a national securities exchange when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly.

However, NYSE traded bonds will not be listed⁴ on NYSE and the proposed rule change would expand the exemption from reporting under Rule 6230 to transactions in NYSE traded bonds that are TRACE-eligible securities that are reported to NYSE and disseminated publicly.

NASD notes that the proposed rule change is predicated on NASD receiving certain information from NYSE relating to transactions in NYSE traded bonds that are TRACE-eligible securities and NASD's successful integration of this information into its audit trail.⁵ The success of the proposed pilot program will be heavily dependent on NASD's ability to effectively continue to surveil corporate debt trading in the over-the-counter ("OTC") market. NASD will evaluate the effectiveness of the consolidated audit trail during the pendency of the proposed pilot program.

⁴ See 70 FR 41067, 41067-41068 (discussion of the distinction between bonds listed on NYSE and bonds traded on a facility of NYSE).

⁵ In this regard, NASD and NYSE are in the process of negotiating a data sharing agreement wherein, among other things, NYSE will agree to provide NASD, on a T+1 basis, certain information related to transactions in TRACE-eligible securities executed on a facility of NYSE. In turn, NASD intends to consolidate this information into the computer database housing NASD's audit trail. NASD intends to provide NYSE regulatory personnel access, strictly for regulatory purposes only, to that portion of NASD's database reflecting the information submitted by NYSE.

Finally, NASD is proposing to delete references to “Nasdaq” and the “Nasdaq Stock Market, Inc.” in Rule 6210 and “Nasdaq” in Rule 6230 to reflect NASDAQ Stock Market, LLC’s registration as a national securities exchange.

As noted in Item 2 of this filing, the implementation date of the proposed rule change will be the later of either: 1) approval of the proposed rule change by the Commission, or 2) execution by NASD and NYSE of a data sharing agreement addressing data related to transactions covered by the proposed rule change.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁶ which requires, among other things, that NASD’s 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. The proposed rule change is being made to enhance regulatory efficiency and reduce duplicative trade reporting.

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 15 U.S.C. 78o-3(b)(6).

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

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

Because NASD believes that the proposal will enhance regulatory efficiency and reduce duplicative trade reporting immediately upon implementation, NASD requests the Commission to find good cause pursuant to Section 19(b)(2) of the Act⁸ for approving the proposed rule change prior to the 30th day after its publication in the Federal Register.

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

Not applicable.

9. Exhibits

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

⁷ 15 U.S.C. 78s(b)(2).

⁸ 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2006-110)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing and [Order Granting Accelerated Approval] of Proposed Rule Change Relating to Establishing a Two-Year Pilot Program Exempting from TRACE Reporting Transactions in Bonds Traded on a Facility of NYSE and Certain Technical Changes

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. On September 27, 2006, NASD filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

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

NASD is proposing to 1) amend Rule 6230 to initiate a two-year pilot program exempting certain TRACE-eligible securities from reporting requirements that otherwise would apply, and 2) amend Rule 6210 and 6230 to reflect the registration of NASDAQ

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 to SR-NASD-2006-110 replaces and supersedes in its entirety the proposed rule change as filed on September 19, 2006.

Stock Market, LLC as a national securities exchange. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

6200. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

* * * * *

6210. Definitions

The terms used in this Rule 6200 Series shall have the same meaning as those defined in NASD's By-Laws and Rules unless otherwise specified.

(a) No Change.

(b) No Change.

(c) The term "reportable TRACE transaction" shall mean any secondary market transaction in a TRACE-eligible security except transactions in TRACE-eligible securities that are listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, when such transactions are executed on, and reported to the exchange and the transaction information is disseminated publicly[, or transactions in TRACE-eligible securities that are listed and quoted on the Nasdaq Stock Market, Inc. (Nasdaq), when such transactions are reported to Nasdaq and the transaction information is disseminated publicly].

(d)-(j) No Change.

* * * * *

6230. Transaction Reporting

(a) through (d) No Change.

(e) Transactions Exempt from Reporting

The following types of transactions shall not be reported:

- (1) Transactions that are part of a primary distribution by an issuer.
- (2) Transactions in TRACE-eligible securities that are listed on a national securities exchange, when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly[, and transactions in TRACE-eligible securities that are listed and quoted on Nasdaq, when such transactions are reported to Nasdaq and the transaction information is disseminated publicly].
- (3) Transactions where the buyer and the seller have agreed to trade at a price substantially unrelated to the current market for the TRACE-eligible security (e.g., to allow the seller to make a gift).
- (4) For the duration of a two-year pilot program, effective upon the later of either: 1) approval of this rule by the Commission, or 2) execution by NASD and the New York Stock Exchange (“NYSE”) of a data sharing agreement addressing data related to transactions covered by this Rule, transactions in TRACE-eligible securities that are executed on a facility of NYSE in accordance with NYSE Rules 1400 and 1401 and reported to NYSE in accordance with NYSE’s applicable trade reporting rules and disseminated publicly by NYSE.

(f) 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

NASD is proposing to amend Rule 6230 to exempt from its requirements, for a period of two years, transactions in TRACE-eligible securities executed on a facility of the New York Stock Exchange ("NYSE") in accordance with NYSE Rules 1400 and 1401, which have been proposed by NYSE and provided that such transactions are reported pursuant to applicable NYSE trade reporting rules and publicly disseminated.⁴ NYSE also has sought related exemptive relief from the Commission that would facilitate NYSE trading of certain debt securities that are not listed on NYSE.⁵ NASD has

⁴ See Securities Exchange Act Release No. 51999 (July 8, 2005), 70 FR 41067 (July 15, 2005) (proposing NYSE Rules 1400 and 1401). This Amendment No. 1, which supersedes and replaces in its entirety the proposed rule change as filed on September 19, 2006, makes certain technical changes to SR-NASD-2006-110 and in response to comments from SEC staff replaces a reference in the proposed rule text to NYSE's Automated Bond System with a reference to "a facility of NYSE."

⁵ See Securities Exchange Act Release No. 51998 (July 8, 2005), 70 FR 40748 (July 14, 2005). Debt securities traded on a facility of NYSE, but not listed on NYSE, are herein referred to as "NYSE traded bonds."

proposed amending Rule 6230 to address concerns regarding duplicative trade reporting that would result from the trading of NYSE traded bonds, which otherwise would be subject to both NASD's and NYSE's trade reporting requirements.

Rule 6230(e)(2) currently exempts transactions in TRACE-eligible securities that are *listed* on a national securities exchange when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly. However, NYSE traded bonds will not be listed⁶ on NYSE and the proposed rule change would expand the exemption from reporting under Rule 6230 to transactions in NYSE traded bonds that are TRACE-eligible securities that are reported to NYSE and disseminated publicly.

NASD notes that the proposed rule change is predicated on NASD receiving certain information from NYSE relating to transactions in NYSE traded bonds that are TRACE-eligible securities and NASD's successful integration of this information into its audit trail.⁷ The success of the proposed pilot program will be heavily dependent on NASD's ability to effectively continue to surveil corporate debt trading in the over-the-counter ("OTC") market. NASD will evaluate the effectiveness of the consolidated audit trail during the pendency of the proposed pilot program.

⁶ See 70 FR 41067, 41067-41068 (discussion of the distinction between bonds listed on NYSE and bonds traded on a facility of NYSE).

⁷ In this regard, NASD and NYSE are in the process of negotiating a data sharing agreement wherein, among other things, NYSE will agree to provide NASD, on a T+1 basis, certain information related to transactions in TRACE-eligible securities executed on a facility of NYSE. In turn, NASD intends to consolidate this information into the computer database housing NASD's audit trail. NASD intends to provide NYSE regulatory personnel access, strictly for regulatory purposes only, to that portion of NASD's database reflecting the information submitted by NYSE.

Finally, NASD is proposing to delete references to “Nasdaq” and the “Nasdaq Stock Market, Inc.” in Rule 6210 and “Nasdaq” in Rule 6230 to reflect NASDAQ Stock Market, LLC’s registration as a national securities exchange.

The implementation date of the proposed rule change will be the later of either: 1) approval of the proposed rule change by the Commission, or 2) execution by NASD and NYSE of a data sharing agreement addressing data related to transactions covered by the proposed rule change.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD’s 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. The proposed rule change is being made to enhance regulatory efficiency and reduce duplicative trade reporting.

B. Self-Regulatory Organization's Statement on Burden on Competition

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

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

NASD has requested that the Commission find good cause pursuant to Section 19(b)(2) of the Act⁸ for approving the proposed rule change prior to the 30th day after publication in the Federal Register. The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NASD and, in particular, the requirements of Section 15A of the Act⁹ and the rules and regulations thereunder. The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof in that accelerated approval will enhance regulatory efficiency and reduce duplicative trade reporting immediately upon implementation.

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:

⁸ 15 U.S.C. 78s(b)(2).

⁹ 15 U.S.C. 78qA

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-2006-110 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, D.C. 20549-1090.

All submissions should refer to File Number SR-NASD-2006-110. 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, 100 F Street, NE Washington, D.C. 20549. 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 the File Number SR-NASD-2006-110 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.¹⁰

Nancy M. Morris,

Secretary

¹⁰ 17 CFR 200.30-3(a)(12).