

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 Nasdaq. 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 publicly available. All submissions should refer to File Number SR-NASDAQ-2006-006 and should be submitted on or before May 19, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>18</sup>

Nancy M. Morris,  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53699; File No. SR-NASD-2006-050]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend Operation of NASD's Alternative Display Facility as a Temporary Pilot

April 21, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 18, 2006, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by NASD. NASD has filed the proposed rule change as a "non-controversial" rule change pursuant to Section 19(b)(3)(A) of the

Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. 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 extend for nine months, to January 26, 2007, the operation of NASD's Alternative Display Facility ("ADF") on a pilot basis. The ADF pilot program, as approved by the Commission on July 24, 2002, and extended on April 7, 2003, January 26, 2004, October 21, 2004, and July 20, 2005, will expire on April 26, 2006. The pilot permits members to quote and trade only Nasdaq-listed securities on or through the ADF. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in [brackets].

\* \* \* \* \*

#### 4000A. NASD Alternative Display Facility

##### 4100A. General

NASD Alternative Display Facility ("ADF") is the facility to be operated by NASD on a nine-month pilot basis for members that choose to quote or effect trades in Nasdaq securities ("ADF-eligible securities") otherwise than on Nasdaq or on an exchange. The ADF will collect and disseminate quotations, compare trades, and collect and disseminate trade reports. Those NASD members that utilize ADF systems for quotation or trading activities must comply with the Rule 4000A, Rule 5400 and Rule 6000A Series, as well as all other applicable NASD Rules. The ADF pilot will expire on [April 26, 2006] *January 26, 2007*.

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

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

##### 1. Purpose

On July 24, 2002, the Commission approved SR-NASD-2002-97,<sup>5</sup> which authorizes NASD to operate the ADF on a pilot basis for nine months. NASD subsequently filed for immediate effectiveness proposed rule changes SR-NASD-2003-067 to extend the pilot until January 26, 2004;<sup>6</sup> SR-NASD-2004-012 to extend the pilot until October 26, 2004;<sup>7</sup> SR-NASD-2004-160 to extend the pilot until July 26, 2005;<sup>8</sup> and SR-NASD-2005-092 to extend the pilot until April 26, 2006.<sup>9</sup> As described in detail in SR-NASD-2001-90, the ADF is a quotation collection, trade comparison, and trade reporting facility developed by NASD in accordance with the Commission's SuperMontage Approval Order<sup>10</sup> and in conjunction with Nasdaq's anticipated registration as a national securities exchange.<sup>11</sup> In addition, since the Commission gave its initial approval to the ADF pilot, NASD has filed several other ADF-related rule change proposals that have been incorporated into the operation and administration of the pilot.<sup>12</sup>

<sup>5</sup> Securities Exchange Act Release No. 46249 (July 24, 2002), 67 FR 49822 (July 31, 2002).

<sup>6</sup> Securities Exchange Act Release No. 47633 (April 10, 2003), 68 FR 19043 (April 17, 2003).

<sup>7</sup> Securities Exchange Act Release No. 49131 (January 27, 2004), 69 FR 5229 (February 3, 2004).

<sup>8</sup> Securities Exchange Act Release No. 50601 (October 28, 2004), 69 FR 64611 (November 5, 2004).

<sup>9</sup> Securities Exchange Act Release No. 52122 (July 25, 2005), 70 FR 44133 (August 1, 2005).

<sup>10</sup> Securities Exchange Act Release No. 43863 (January 19, 2001), 66 FR 8020 (January 26, 2001).

<sup>11</sup> Securities Exchange Act Release No. 44396 (June 7, 2001), 66 FR 31952 (June 13, 2001).

<sup>12</sup> On January 30, 2003, NASD filed proposed rule change SR-NASD-2003-009 to revise the transaction and quotation-related fees applicable to ADF activity during the pilot program. The rule change proposal became effective upon filing, with an implementation date of February 17, 2003. On January 6, 2004, the Commission granted accelerated approval to SR-NASD-2003-145, a proposal to amend the ADF pilot rules to give jurisdiction to a three-member subcommittee of NASD's Market Regulation Committee to review system outage determinations under NASD Rule 4300A(f) and excused withdrawal denials under NASD Rule 4619A. The rule change proposal became effective contemporaneous with the Commission's approval. On December 4, 2003, NASD filed for immediate effectiveness a proposed rule change to amend Rule 4613A(c) to clarify that NASD may suspend quotations in the ADF displayed by any market participant, including an ECN, that are no longer reasonably related to the prevailing market.

Additionally, NASD filed with the Commission three other rule change proposals. On March 12, 2004, the Commission approved SR-NASD-2003-175, a proposal to repeal Rule 4613A(e)(1), which

Continued

<sup>18</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

The ADF ultimately should provide market participants the ability to quote and trade Nasdaq and exchange-listed securities. The current ADF pilot program, however, permits operation of the ADF with respect to Nasdaq securities only. This is because several regulatory issues relating to the trading of exchange-listed securities on the ADF have not been resolved.

The ADF has been operating successfully during the pilot period. In the SuperMontage approval order, the Commission stated that the ADF met the conditions set forth in that order to provide an alternative quotation collection, trade comparison, and trade reporting facility. NASD believes that ADF has since continued to honor those conditions. Meanwhile, certain issues related to trading exchange-listed securities—and by extension, approval of the operation of ADF on a permanent basis—remain unresolved. Accordingly, NASD believes it is appropriate to extend the pilot period for ADF trading in Nasdaq securities for the shorter of nine months or until approval of the ADF on a permanent basis.

The proposed rule change will become effective upon filing, will be implemented at the close of business on April 26, 2006, and will expire on January 26, 2007.

## 2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>13</sup> which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination among persons engaged in regulating, clearing, settling, processing information and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the

required members that display priced quotations for a Nasdaq security in two or more market centers to display the same priced quotations for that security in each market center. On August 18, 2004, the Commission approved SR-NASD-2004-002, a proposed rule change to amend NASD Rule 4300A to require an ADF Market Participant to provide advance written notice to NASD's ADF Market Operations before denying electronic access to its ADF quote to any NASD member in the limited circumstances where a broker-dealer fails to pay contractually obligated costs for access to the Market Participant's quotations. On March 10, 2005, the Commission approved SR-NASD-2004-159, a proposed rule change to establish Rule 4400A, which gives NASD authority to receive and review complaints against ADF Market Participants that allege denial of direct or indirect access pursuant to NASD Rule 4300A.

<sup>13</sup> 15 U.S.C. 78o-3(b)(6).

public interest. In addition, NASD believes that the proposed rule change is consistent with Section 15A(b)(6) of the Act because it does not permit unfair discrimination between customers, issuers, brokers, or dealers, fix minimum profits, impose any schedule or fix rates of commissions, allowances, discounts, or other fees to be charged by members, or regulate matters not related to the purposes of the Act or the administration of NASD.

## 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 forgoing rule change does not: (1) Significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</sup>

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing.<sup>16</sup> However, Rule 19b-4(f)(6)(iii)<sup>17</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.<sup>18</sup> NASD has requested that the Commission waive the 30-day pre-operative delay, and the Commission hereby grants that request.<sup>19</sup> The

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>17</sup> *Id.*

<sup>18</sup> In addition, Rule 19b-4(f)(6)(iii) requires that a self-regulatory organization submit to the Commission 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 of the proposed rule change, or such shorter time as designated by the Commission. The Commission has decided to waive the five-day pre-filing notice requirement.

<sup>19</sup> For the purposes only of waiving the 30-day pre-operative delay, the Commission has considered the proposed rule's impact on

Commission believes that waiving the 30-day pre-operative delay is consistent with the protection of investors and in the public interest. This action will prevent the benefits provided by the current ADF pilot program from lapsing.

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 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](mailto:rule-comments@sec.gov). Please include File No. SR-NASD-2006-050 on the subject line.

### Paper Comments

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

All submissions should refer to File No. SR-NASD-2006-050. 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 will also be available for inspection and copying at the principal office of NASD. All comments received will be posted

efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 No. SR-NASD-2006-050 and should be submitted on or before May 19, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>20</sup>

Nancy M. Morris,

Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53696; File No. SR-NASD-2006-047]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify the NASD Rule 4500 Series To Describe an Application of Nasdaq's Authority To Waive Fees and To Make Certain Technical Changes

April 21, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 4, 2006, the National Association of Securities Dealers, Inc. ("NASD"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. Nasdaq has designated the proposed rule change as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule" under Section 19(b)(3)(A)(i) of the Act<sup>3</sup> and Rule 19b-4(f)(1) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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

Nasdaq proposes to modify the NASD Rule 4500 series to describe an application of Nasdaq's authority to waive fees and to make certain technical corrections. Nasdaq will implement the proposed rule change immediately.

The text of the proposed rule change is available at NASD, at the Commission, and at NASD's Web site ([http://www.nasdaq.com/about/RuleFilingsListings/Filings\\_Listing.stm](http://www.nasdaq.com/about/RuleFilingsListings/Filings_Listing.stm)).

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

In its filing with the Commission, Nasdaq 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. Nasdaq 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

In January 2005, the Commission approved a proposed rule change by Nasdaq to eliminate the entry and application fees under NASD Rules 4510(a) and 4520(a) for companies listed on a national securities exchange (an "exchange") that transfer their listing to the Nasdaq National Market or the Nasdaq Capital Market.<sup>5</sup> This filing was based on Nasdaq's belief that assessing initial listing fees against issuers that have already paid fees to list on another market imposes a burden on the competition between exchange markets and markets other than exchange markets, a competition that is one of the central goals of the national market system.<sup>6</sup> In approving that proposed rule change, the Commission stated its belief that such a program "may ultimately benefit issuers and investors because competition among listing markets has the potential to enhance the quality of services that listing markets provide."<sup>7</sup>

Based on recent experience with companies considering switching from

other markets, Nasdaq has determined that companies are also reluctant to switch markets during the beginning and middle of the year, because they will have already paid a non-refundable annual listing fee to another market. As a result, Nasdaq proposes to allow issuers a credit in the pro-rated amount of any annual listing fees paid to the other exchange, for the period of time after the transfer. This credit will be used to offset the annual fee otherwise payable to Nasdaq for that period under NASD Rule 4510(c), 4510(d), or 4520(c), and cannot exceed that fee.

In light of a switching issuer's prior payment to another market, Nasdaq believes that providing such a credit to switching issuers is entirely consistent with an equitable allocation of listing fees. Further, Nasdaq notes that it does not expect the financial impact of this proposed rule change to be material to Nasdaq, as issuers will only receive a one year credit and, even with the proposed rule change in place, a change in listing venue is a major step for an issuer, and therefore Nasdaq does not expect that the number of switching issuers in a given time frame will be sufficient to have a material effect on Nasdaq's financial resources or commitment to its regulatory oversight of the listing process or its regulatory programs. Further, Nasdaq anticipates that it will make up any short-term costs through the long-term receipt of applicable listing fees.

In addition, Nasdaq proposes to codify that a credit is available to an issuer that previously paid a dual listing annual fee and determines to cease its dual listing and remain listed on Nasdaq. As in the case of a company transferring between the Nasdaq National Market and the Nasdaq Capital Market,<sup>8</sup> such an issuer will be allowed a credit against the annual fee otherwise due in the year of the transfer for the portion of the dual list annual fee attributable to the period of time following the transfer.

While NASD Rules 4e510(c)(2), 4510(d)(3), and 4520(c)(3) provide Nasdaq with the discretion to waive all or part of the annual listing fees, Nasdaq has determined to codify the existence of these credits given their applicability to any issuer switching from an exchange or terminating a dual listing.

Nasdaq also proposes to modify the text of NASD Rules 4510(c)(5) and 4520(c)(8) to clarify that the annual fee for an ADR or closed-end fund that is dually listed on the Nasdaq National Market, and a closed-end fund that is

<sup>8</sup> NASD Rules 4510(c)(3), 4510(d)(6), and 4520(c)(5).

<sup>20</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

<sup>5</sup> Securities Exchange Act Release No. 51004 (January 10, 2005), 70 FR 2917 (January 18, 2005) (SR-NASD-2004-140).

<sup>6</sup> 15 U.S.C. 78k-1.

<sup>7</sup> See footnote 5, *supra*.