

**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, as amended, 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-FICC-2006-14 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 No. SR-FICC-2006-14. 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 Section, 100 F Street, NE., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at FICC's principal office and on FICC's Web site at <http://ficc.com/gov/gov.docs.jsp?NS-query=#rf>. 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 submission should refer to File No. SR-FICC-2006-14 and should be submitted on or before December 18, 2006.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Nancy M. Morris,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54773; File No. SR-NASD-2006-120]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto To Extend the Hours of Operation of the NASD/Nasdaq TRF, the OTC Reporting Facility and the Trade Reporting of Non-Nasdaq Exchange-Listed Securities Under the NASD Rule 6400 Series

November 17, 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 October 27, 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, II, and III below, which Items have been prepared by NASD. On November 3, 2006, NASD filed Amendment No. 1. NASD filed the proposed 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.<sup>5</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

<sup>6</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).

<sup>5</sup> For purposes of calculating the 60-day abrogation period, the Commission considers the period to have commenced on November 3, 2006, the date NASD filed Amendment No. 1.

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

NASD proposes to extend the hours of operation of (1) the Trade Reporting Facility established by NASD and the Nasdaq Stock Market, Inc. ("NASD/Nasdaq TRF");<sup>6</sup> (2) the trade reporting of non-Nasdaq exchange-listed securities under the NASD Rule 6400 Series; and (3) the trade reporting of OTC Equity Securities to the OTC Reporting Facility ("ORF")<sup>7</sup> under the NASD Rule 6600 Series, until 8 p.m. Eastern Time ("ET"). The text of the proposed rule change is available at NASD, on the NASD Web site at <http://www.nasd.com>, and at the Commission's Public Reference Room.<sup>8</sup>

### 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

<sup>6</sup> During the initial transitional period, the NASD/Nasdaq TRF is used to report transactions executed otherwise than on an exchange in all Nasdaq Global Market, Nasdaq Capital Market securities and convertible bonds listed on Nasdaq. See NASD Rule 4000 Series and 6100 Series. NASD filed a separate proposed rule change to expand the scope of the NASD/Nasdaq TRF rules to include trade reporting in non-Nasdaq exchange-listed securities. See Securities Exchange Act Release No. 54451 (September 15, 2006), 71 FR 55243 (September 21, 2006) (SR-NASD-2006-104).

<sup>7</sup> For purposes of the NASD Rule 6600 Series, the ORF is the service provided by NASD that accommodates reporting and dissemination of last sale reports in OTC Equity Securities. Regarding those OTC Equity Securities that are not eligible for clearance and settlement through the facilities of the National Securities Clearing Corporation, the ORF comparison function is not available. However, the ORF supports the entry and dissemination of last sale data on such securities. See NASD Rule 6610(k).

<sup>8</sup> NASD has proposed changes to NASD Rule 4623(e), among other NASD rules, in SR-NASD-2006-104, which is currently pending at the Commission. See Securities Exchange Act Release No. 54451 (September 15, 2006), 71 FR 55243 (September 21, 2006). Those proposed changes include the insertion of "NASD/Nasdaq" before each reference to the Trade Reporting Facility in NASD Rule 4632, which also is reflected in the proposed rule text. Further, the Commission has approved changes to NASD Rules 4632(e), 6420(e) and 6620(e) in SR-NASD-2006-055, which becomes effective on December 1, 2006. See Securities Exchange Act Release No. 53977 (June 12, 2006), 71 FR 34976 (June 16, 2006) (SR-NASD-2006-055) (approval order). Lastly, the Commission also has approved changes to NASD Rule 6420, among others, in SR-NASD-2006-091, which is scheduled to become effective on February 5, 2007. See Securities Exchange Act Release No. 54537 (September 28, 2006), 71 FR 59173 (October 6, 2006). Upon the implementation of SR-NASD-2006-091, the requirements in NASD Rule 6420, among others, will no longer be necessary as they will be incorporated directly into NASD's Alternative Display Facility rules.

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 June 30, 2006, the Commission approved SR–NASD–2005–087, which amended certain NASD rules to reflect separation of the Nasdaq Stock Market, Inc. from NASD upon the operation of the Nasdaq Stock Market LLC as a national securities exchange.<sup>9</sup> As part of SR–NASD–2005–087, the Commission approved the establishment of, and rules governing, the NASD/Nasdaq TRF, which currently provides members another mechanism for reporting transactions in Nasdaq-listed securities effected otherwise than on an exchange.<sup>10</sup>

Pursuant to the NASD Rule 6600 Series, members use the ORF for purposes of reporting transactions in OTC Equity Securities to NASD.<sup>11</sup> In addition, pursuant to the NASD Rule 6400 Series, members report over-the-counter trades for non-Nasdaq exchange-listed securities to NASD. Nasdaq's Automated Confirmation Transaction Service ("ACT") is the system used for each of these purposes.

Currently, the NASD/Nasdaq TRF trade reporting rules reflect a system closing time of 6:30 p.m. ET, which was consistent with the system closing time of the UTP Securities Information Processor ("UTP SIP"). Effective September 18, 2006, the UTP SIP system closing time was extended from 6:30 p.m. ET to 8 p.m. ET. To accommodate the extended UTP SIP system closing time, NASD proposes to extend the closing time of the NASD/Nasdaq TRF from 6:30 p.m. to 8 p.m. ET. In addition, to keep the hours of operation uniform across the ACT system, NASD proposes to extend the closing time to 8 p.m. for reporting OTC Equity Securities under NASD Rule 6600 and non-Nasdaq exchange-listed securities under NASD Rule 6400.

Finally, the text of NASD Rule 6920 incorrectly reflects a system closing

time of 5:15 p.m. ET. This closing time should have been amended at the time that the other NASD trade reporting rules were amended to reflect a system closing time of 6:30 p.m. Accordingly, as part of this proposed rule change, NASD also proposes to amend NASD Rule 6920 to extend the time from 5:15 p.m. until 8 p.m., the closing time of the ORF.

NASD filed the instant proposed rule change for immediate effectiveness. NASD proposes to make the proposed rule change operative on December 4, 2006. To ensure that market participants have sufficient time to program their internal systems to accommodate a new closing time of 8 p.m. ET for the NASD/Nasdaq TRF and ORF, the extended closing time was announced in a Nasdaq Head Trader Alert on August 23, 2006.<sup>12</sup>

Extension of the system hours for the NASD/Nasdaq TRF and ORF will allow market participants to timely report more trades taking place after normal market hours. NASD believes that the proposed effective date draws an appropriate balance between the benefits of expanded access to the NASD/Nasdaq TRF and ORF systems with the needs of market participants to prepare for it.

**2. Statutory Basis**

NASD believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,<sup>13</sup> in general, and with Section 15A(b)(6) of the Act,<sup>14</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, remove impediments to a free and open market and a national market system, and, in general, to protect investors and the public interest. NASD believes that the proposed rule change will afford market participants additional time to report trades taking place after normal market hours, resulting in more timely and accurate trade reporting, which in turn will result in greater transparency.

*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<sup>15</sup> and Rule 19b–4(f)(6) thereunder.<sup>16</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR–NASD–2006–120 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–2006–120. 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

<sup>9</sup> See Securities Exchange Act Release No. 54084 (June 30, 2006), 71 FR 38935 (July 10, 2006).

<sup>10</sup> See *supra* note 6.

<sup>11</sup> NASD Rule 6610(d) defines "OTC Equity Securities" as any non-exchange-listed security and certain exchange-listed securities that do not otherwise qualify for real-time trade reporting.

<sup>12</sup> See Nasdaq Head Trader Alert 2006–120 (August 23, 2006) (available at <http://www.nasdaqtrader.com>).

<sup>13</sup> 15 U.S.C. 78o–3.

<sup>14</sup> 15 U.S.C. 78o–3(b)(6).

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

<sup>16</sup> 17 CFR 240.19b–4(f)(6).

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-2006-120 and should be submitted on or before December 18, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>17</sup>

Nancy M. Morris,  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54778; File No. SR-NASD-2006-127]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a New NASD Rule 7000C Series Relating to Fees and Credits for the Trade Reporting Facility Established by NASD and the National Stock Exchange (NASD/NSX TRF)

November 17, 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 November 15, 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 filed the proposed rule change pursuant to

Section 19(b)(3)(A) of the Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission.<sup>5</sup> 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 proposes to adopt a new NASD Rule 7000C Series relating to fees and credits for the Trade Reporting Facility ("NASD/NSX TRF") established by NASD and the National Stock Exchange ("NSX"). The text of the proposed rule change is available at <http://www.nasd.com>, at the principal offices of NASD, and at the Commission's Public Reference Room.

#### 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 November 6, 2006, the Commission approved SR-NASD-2006-108,<sup>6</sup> which proposed rules relating to the new NASD/NSX TRF. The NASD/NSX TRF will provide NASD members another mechanism for reporting to NASD over-the-counter transactions in exchange-listed securities. The NASD/NSX TRF will only accept locked-in trades. The NASD/NSX TRF will likely accept trade reports for Nasdaq-listed securities on the first day of operation and for non-Nasdaq exchange-listed securities at a later date, which will be announced within 90 days of Commission approval. However, it is possible that the NASD/NSX TRF will accept trade reports in all exchange-

listed securities on the first day of operation.

The instant proposed rule change would adopt a new NASD Rule 7000C Series relating to fees and credits applicable to the NASD/NSX TRF. NASD proposes that under new NASD Rule 7002C, there will be no transaction fee for reporting locked-in trades to the NASD/NSX TRF in securities listed on the New York Stock Exchange ("Tape A"), the American Stock Exchange ("Tape B") and the Nasdaq Exchange ("Tape C"). Although NASD is not required to file a proposed rule change where no fees are to be assessed, for members' convenience and to avoid potential confusion with the fee structures of other NASD facilities, NASD is proposing NASD Rule 7002C to clarify that there will be no charge for use of the NASD/NSX TRF to report locked-in transactions in exchange-listed securities effected otherwise than on an exchange.

In addition, NASD is proposing a transaction credit program under proposed new NASD Rule 7001C. NASD members reporting trades in Tape A, Tape B and Tape C stocks to the NASD/NSX TRF will receive a 50% pro rata credit on gross market data revenue earned by the NASD/NSX TRF with respect to those trade reports. Credits will be paid on a quarterly basis. To the extent that market data revenue is subject to any adjustment, credits may be adjusted accordingly.

Tape A and Tape B revenue is currently distributed to NASD and the exchanges based on the number of trades reported, while Tape C revenue is distributed based on an average of number of trades and number of shares reported. Thus, under the proposed program, the Tape A and Tape B revenue attributable to a member will be based on number of trades reported, while the Tape C revenue attributable to a member would be based on number of trades and number of shares reported. A member will receive 50% of the gross revenue attributable to it in each of the three tapes. "Gross revenue" is the revenue received by the NASD/NSX TRF from the three tape associations after the tape associations deduct allocated support costs and unincorporated business costs.

The proposed transaction credit program is identical to the existing transaction credit program for the NSX, which provides a 50% transaction credit on gross revenues generated by transactions in Tape A, Tape B and Tape C securities and is allocable to NSX members on a pro rata basis based

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

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

<sup>5</sup> NASD gave the Commission written notice of its intent to file the proposed rule change on November 2, 2006.

<sup>6</sup> See Securities Exchange Act Release No. 54715 (November 6, 2006), 71 FR 66354 (November 14, 2006) (approval order).

<sup>17</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.