

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55137; File No. SR-NASDAQ-2006-068]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify Pricing for Nasdaq Members Using the Nasdaq Market Center

January 19, 2007.

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 December 28, 2006, The NASDAQ Stock Market LLC ("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 substantially prepared by Nasdaq. Nasdaq has filed the proposal pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(2) 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 pricing for its members using the Nasdaq Market Center. Nasdaq proposes to implement the rule change on January 2, 2007. The text of the proposed rule change is available at Nasdaq, the Commission's Public Reference Room, and [http://nasdaq.complinet.com/file\\_store/pdf/rulebooks/SR-NASDAQ-2006-068.pdf](http://nasdaq.complinet.com/file_store/pdf/rulebooks/SR-NASDAQ-2006-068.pdf).<sup>5</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, 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

This filing adopts a simplified pricing schedule for trading Nasdaq-listed securities through the Nasdaq Market Center. As is currently the case, the fee schedule reflects the volume of a member's use of the Nasdaq Market Center and also the ITS/CAES and Inet systems operated by Nasdaq and its affiliates as facilities of NASD, in determining applicable fees.<sup>6</sup> Order execution and routing fees will be as follows:

- \$0.0027 per share executed for market participants that (i) Add more than 30 million shares of liquidity per day during the month and route or remove more than 50 million shares of liquidity per day during the month, or (ii) add more than 20 million shares of liquidity per day during the month and route or remove more than 60 million share of liquidity per day during the month;
- \$0.0028 per share executed for market participants that add more than 20 million shares of liquidity per day during the month and route or remove more than 35 million shares of liquidity during the month;
- \$0.003 per share executed for other market participants;
- \$0.003 per share executed for routed orders that do not attempt to execute in the Nasdaq Market Center prior to routing;
- A liquidity provider credit of \$0.0025 per share executed for market participants adding more than 30 million shares of liquidity per day during the month, and a credit of \$0.002 for other market participants; and
- As is currently the case for Nasdaq-listed securities, a fee of 0.1% of total transaction cost, and no liquidity provider credit, for executions against quotes/orders in the Nasdaq Market Center at less than \$1.00 per share.

<sup>6</sup> The consideration of volumes through ITS/CAES and Inet is a function of the phased transition of Nasdaq from an operator of NASD facilities to a separate national securities exchange. As such, NASD fee schedules will be amended to remove all references to Nasdaq at or shortly after the time when Nasdaq begins to trade non-Nasdaq exchange-listed securities as an exchange. NASD is submitting a comparable filing to establish fees for non-Nasdaq exchange-listed securities, which likewise considers trading volumes through the Nasdaq Market Center. See File No. SR-NASD-2006-137.

The proposed rule change also updates the text of Rule 7018 by replacing references to the "Nasdaq Facilities" with the term "Nasdaq Market Center" to reflect Nasdaq system integration, and by deleting certain obsolete references to Brut and Inet.

##### 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>7</sup> in general, and with Sections 6(b)(4) of the Act,<sup>8</sup> in particular, in that the proposal provides for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. Nasdaq believes that the fees are reasonably allocated among members based on their usage of the trading systems operated by Nasdaq, and are generally consistent with fees charged by other market centers for comparable services.

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

Nasdaq 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

The foregoing proposed rule change is subject to Section 19(b)(3)(A)(ii) of the Act<sup>9</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder<sup>10</sup> because it establishes or changes a due, fee, or other charge applicable only to a member imposed by the self-regulatory organization. Accordingly, the proposal is effective upon Commission receipt of the filing. 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

<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)(2).

<sup>5</sup> Changes to the text of the proposed rule change are marked to the rule text that appears in the electronic Nasdaq Manual found at [nasdaq.complinet.com/nasdaq/display/index.html](http://nasdaq.complinet.com/nasdaq/display/index.html), as further proposed to be amended by Securities Exchange Act Release No. 55042 (Jan. 4, 2007), 72 FR 1569 (Jan. 12, 2007) (SR-NASDAQ-2006-055).

<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(4).

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

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-NASDAQ-2006-068 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-NASDAQ-2006-068. 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 the 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 available publicly. All submissions should refer to File Number SR-NASDAQ-2006-068 and should be submitted on or before February 15, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55128; File No. SR-NASD-2006-074]

### Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change Relating to the Application of NASD Rule 2790 to Issuer-Directed Securities

January 18, 2007.

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 June 12, 2006, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

NASD is proposing to amend NASD Rule 2790 to expand the exemption for securities that are directed by the issuer to include offerings sold entirely on a non-underwritten basis, where no broker-dealer solicits or sells any new issue securities in the offering, and where no broker-dealer has any involvement or influence, directly or indirectly, in the issuer's allocation decisions with respect to any of the new issue securities in the offering. NASD also is proposing to amend Rule 2790 to prohibit the allocation of issuer-directed securities to broker-dealers. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in [brackets].

\* \* \* \* \*

#### 2790. Restrictions on the Purchase and Sale of Initial Equity Public Offerings

- (a) through (c) No Change.  
(d) Issuer-Directed Securities.

The prohibitions on the purchase and sale of new issues in this rule shall not apply to securities that:

- (1) Are specifically directed by the issuer to persons that are restricted under the rule; provided, however, that securities directed by an issuer may not be sold to or purchased by:

- (A) A broker-dealer; or  
(B) An account in which any restricted person specified in

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

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

subparagraphs (i)(10)(B) or (i)(10)(C) of this rule has a beneficial interest, unless such person, or a member of his or her immediate family, is an employee or director of the issuer, the issuer's parent, or a subsidiary of the issuer or the issuer's parent. Also, for purposes of this paragraph (d)(1) only, a parent/subsidiary relationship is established if the parent has the right to vote 50% or more of a class of voting security of the subsidiary, or has the power to sell or direct 50% or more of a class of voting security of the subsidiary;

(2) *Are specifically directed by the issuer and are part of an offering in which no broker-dealer:*

(A) *Underwrites any portion of the offering;*

(B) *Solicits or sells any new issue securities in the offering; and*

(C) *Has any involvement or influence, directly or indirectly, in the issuer's allocation decisions with respect to any of the new issue securities in the offering;*

(3) [(2)] Are part of a program sponsored by the issuer or an affiliate of the issuer that meets the following criteria:

(A) The opportunity to purchase a new issue under the program is offered to at least 10,000 participants;

(B) Every participant is offered an opportunity to purchase an equivalent number of shares, or will receive a specified number of shares under a predetermined formula applied uniformly across all participants;

(C) If not all participants receive shares under the program, the selection of the participants eligible to purchase shares is based upon a random or other non-discretionary allocation method; and

(D) The class of participants does not contain a disproportionate number of restricted persons as compared to the investing public generally; or

(4) [(3)] Are directed to eligible purchasers who are otherwise restricted under the rule as part of a conversion offering in accordance with the standards of the governmental agency or instrumentality having authority to regulate such conversion offering.

(e) through (j) No Change.

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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

<sup>11</sup> 17 CFR 200.30-3(a)(12).