

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47444; File No. SR-NASD-2003-25]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Proposed Temporary Fee Reductions and Extension on Pilot Basis of NASD Rule 7010(k) Relating to Fees for the Trade Reporting and Compliance Engine (TRACE)

March 4, 2003.

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 February 27, 2003, the National Association of Securities Dealers, Inc. ("NASD"), filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in items I, II, and III below, which items have been prepared by NASD. NASD

has designated the proposed rule change as "establishing or changing a due, fee, or other charge" under section 19(b)(3)(A)(ii) 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

NASD is proposing to amend NASD rule 7010(k) relating to fees for the Trade Reporting and Compliance Engine ("TRACE") prior to the expiration of the pilot program for fees on February 28, 2003. NASD is proposing to extend the pilot program for TRACE fees to June 30, 2003, to provide a temporary reduction of certain fees for a one calendar month period during the pilot period, and to clarify certain language relating to the Bond Trade Dissemination Service ("BTDS") fees. In addition, NASD is proposing to clean up

the rule text by deleting references to certain services, and their corresponding fees, that were previously eliminated. As a result of the proposed rule change, the current fee structure, subject to the temporary reductions being implemented, would remain in effect to June 30, 2003. Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

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#### 7010. System Services

##### (k) Trade Reporting and Compliance Engine (TRACE)

(Rule 7010(k) shall expire on [February 28] *June 30*, 2003, unless amended, extended, or permanently adopted by NASD pursuant to SEC approval at or before such date).

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine ("TRACE"):

System fees	Transaction reporting fees	Market data fees
From 07/01/02 to 12/31/02: Web Browser Access: \$85/month for 1 user ID; \$75/month for 2-9 user IDs; \$70/month for 2-10+ user IDs, except If less than 25 trades per month, in October, November, or December 2002—\$25/month per user ID. From 01/01/03 to [02/28/03] <i>06/30/03</i> : Level I Trade Report Only Web Browser Access—\$25/month per user ID; Level II Full Service Web Browser Access—\$85/month per user ID, <i>except</i> <i>For a period of one calendar month to be announced: Level II Full Service Web Browser Access—\$25/month per user ID.</i> CTCI—\$25/month/line.	From 07/01/02 to 12/31/02: Trades up to and including \$200,000 par value—\$0.50/trade; Trades between \$201,000 and \$999,999 par value—\$0.0025 times the number of bonds traded/trade; Trades of \$1,000,000 par value or more—\$2.50/trade. From 01/01/03 to [02/28/03] <i>06/30/03</i> : Trades up to and including \$200,000 par value—\$0.475/trade; Trades between \$201,000 and \$999,999 par value—\$0.002375 times the number of bonds traded/trade; Trades of \$1,000,000 par value or more—\$2.375/trade. From 07/01/02 to 12/31/02: Cancel/Correct—\$3/trade, except For October 2002—\$1.50/trade; For November 2002—\$2.25/trade From 01/01/03 to [02/28/03] <i>06/30/03</i> : Cancel/Correct—\$1.50/trade. From 07/01/02 to 12/31/02: "As of" Trade Late—\$3/trade, except For October 2002—\$1.50/trade; For November 2002—\$2.25/trade. From 01/01/03 to [02/28/03] <i>06/30/03</i> : "As of" Trade Late—\$3/trade. Browse & Query—\$0.05 after first page.	BTDS Professional Display—\$60/month per terminal, <i>except</i> <i>For a period of one calendar month to be announced: Waiver of fee (\$0).</i>  BTDS Internal Usage Authorization—\$500/month per [organization] <i>application/service</i> .  BTDS External Usage Authorization—\$1,000/month per [organization] <i>application/service</i> .  BTDS Non-Professional Display—\$1/month per terminal.  [From 07/01/02 to 12/31/02: Daily List Fax—\$15/month per fax number/addressee]. [As of 01/01/03: Daily List Fax service and corresponding fee eliminated].
Third Party—\$25/month.  [From 07/01/02 to 12/31/02: PDN Administrative—\$100/month/line] [As of 01/01/03: PDN service and corresponding fee eliminated].		

<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)(ii).

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