

subscribers the current \$60 per month, per terminal charge.

Temporary Reduction of Level II Full Service Web Browser Access Fee

To further improve transparency and provide subscribers a "trial month" to explore the additional services provided by Level II Full Service Web Browser Access, NASD is proposing a temporary fee reduction on the current Level II Full Service Web Browser Access Fee. The current fee is \$85 per month, per user ID. NASD is proposing to temporarily reduce the Level II Full Service Web Browser Access Fee to subscribers for a period of one calendar month to be announced following the start of Phase II TRACE data dissemination. During this one-month period, NASD will reduce the charge for Level II Full Service Web Browser Access to \$25 per month, per terminal.

Clarified Language of BTDS Fees

NASD is proposing to revise certain language in the BTDS Internal Usage Authorization Fee and the BTDS External Authorization Fee. Currently, the language in rule 7010(k)(3)(A)(ii) and (iii) provides that the charge for each service is determined "per month, per organization." However, NASD staff has received questions on the application of these fees from the industry and there has been some confusion as to the meaning of the language. To alleviate this confusion and to provide clarity in the application of the charges for these services, NASD is proposing to replace the language "per month, per organization" as used in both the BTDS Internal Authorization Fee and the BTDS External Authorization Fee with the language "per month, per application/service." NASD hopes this change will clarify that the charges apply to each application/service by a subscriber of TRACE data, including among other things, use of market data (i) to disseminate bond tables to press associations or other publishers, or for the purpose of furnishing market data via magnetic tape; (ii) in operations control programs designed for monitoring and surveillance purposes, order/report price validation, order status verification and related activities, portfolio valuation, system development, creation of a delayed last sale prices system, etc., (iii) in analysis programs; or (iv) in proprietary execution systems.

Extension and/or Renewal of Pilot Program for TRACE Fees

NASD is proposing to extend and/or renew the pilot program for TRACE fees

that is scheduled to expire on February 28, 2003, to expire on June 30, 2003. Further, NASD expects to submit a rule filing to the SEC prior to the June 30, 2003, expiration date seeking approval of a permanent fee structure for TRACE. NASD believes that the proposed fee structure for TRACE is reasonable, however, NASD is committed to an ongoing review and reassessment of TRACE fees during 2003. Based on data collected during 2003, NASD may recommend additional changes to the TRACE fee structure to ensure that the TRACE fees are reasonable.

NASD will continue to review and reassess the impact of the overall TRACE fee structure over time to ensure that the fees are reasonable and equitable for participants in the TRACE system.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of section 15A(b)(5) of the Act,¹⁵ which requires, among other things, that NASD's rules provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system which NASD operates or controls. NASD is proposing to extend the pilot program for TRACE fees to June 30, 2003, to provide certain temporary fee reductions for a one-month period following implementation of Phase II TRACE data dissemination, and to clarify certain language relating to the BTDS Internal Authorization Fee and the BTDS External Authorization Fee. 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 fee reductions, would remain in effect to June 30, 2003. NASD believes that such proposed rule change will more equitably allocate fees to NASD members during the early stages of implementing TRACE.

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

The proposed rule change is effective upon filing pursuant to section 19(b)(3)(A)(ii) of the Act¹⁶ and rule 19b-4(f)(2) thereunder,¹⁷ because the proposal is "establishing or changing a due, fee, or other charge." The rule change has become effective upon filing pursuant to section 19(b)(3)(A) of the Act and rule 19b-4(f)(2) thereunder, and will be operational immediately as of the dates described in the proposed rule change. NASD will announce the one calendar month period during which the described fee reductions will take place in a notice to members.

At any time within 60 days of this filing, the Commission may summarily abrogate this proposal 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 proposal is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. 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 submissions should refer to file number SR-NASD-2003-25 and should be submitted by April 1, 2003.

¹⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷ 17 CFR 240.19b-4(f)(2).

¹⁵ 15 U.S.C. 78o3(b)(5).