

paragraph (f)(2) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by 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 the NASD Rule 7000A Series to designate transaction and quotation related fees applicable to activities in the NASD's Alternative Display Facility ("ADF"). The text of the proposed rule change is set forth below. Proposed new language is in *italics*; proposed deletions are in brackets.

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### 7000A. Charges for ADF Services and Equipment

#### 7010A. System Services

(a) *Trade Reporting and Comparison [and Reporting] Service*

The following charges shall be paid by ADF participants for use of the *Trade Reporting and Comparison [and Reporting] Service (TRACS)*:

Transaction Related Charges:  
Comparison \$0.014/side per 100 shares (minimum 400 shares; maximum 7,500 shares)

Automated Give-Up \$0.029/side (if the associated publicly disseminated trade is not reported to the media through the ADF)

Qualified Special Representative \$0.029/side (if the associated publicly disseminated trade is not reported to the media through the ADF)

Late Report—T+N \$0.30/side unless the trade is executed outside normal ADF operating hours of 8:00 a.m. to 6:30 p.m. and the member's average publicly disseminated trades reported to the

media through the ADF per day during the billing period is 150,000 or greater

[Browse/query \$0.28/query\*]

[Trade Reporting \$0.029/side

(applicable only to reportable transaction not subject to trade comparison through TRACS) \*\*]

Corrective Transaction Charge \$0.25/ Break, Decline, *Reversal* transaction, paid by each party

#### (b) Quotation Updates

The following quotation update charges will apply based on the average daily number of publicly disseminated trades reported to the media through the ADF during the billing period. [A member will be charged \$0.01 per quotation update in the ADF quotation montage on those quotation updates that exceed three times the number of transactions reported to the ADF by the member.] A "quotation update" includes any change to the price or size of a displayed quotation. [This charge will be determined on a monthly basis.]

Average trades reported through the ADF per day	Quotation update charge	Quotes update provided at no charge
Less than 1 .....	\$.02 per quotation update .....	None.
Between 1 and 100,000 .....	\$.01 per quotation update .....	5 quotation updates per trade.
Between 100,001 and 150,000 .....	\$.01 per 10 quotation update .....	10 quotation updates per trade.
Greater than 150,000 .....	No Charge .....	N/A

### [(c) Volume Discounts on Transaction and Quotation Fees]

During the initial six months of operation of the ADF, except as

provided in paragraph (d) below, transaction fees incurred pursuant to paragraph (a) above, except the browse/query fee, and quotation update fees

incurred pursuant to paragraph (b) above will be discounted on the following incremental basis:]

Trades per month	Chargeable quotation updates per month	Discount
Up to 2,000 .....	Up to 8,000 .....	0%
2,001 to 4,000 .....	8,001 to 15,000 .....	10%
4,001 to 6,000 .....	15,001 to 25,000 .....	25%
6,001 to 8,000 .....	25,001 to 35,000 .....	35%
8,001 or greater .....	35,001 or greater .....	50%]

### [(d) Limited Period Without Transaction and Quotation Charges]

[During the initial six months of operation of the ADF, members will not be charged for transaction fees incurred pursuant to paragraph (a) above and the quotation fees incurred pursuant to paragraph (b) above for up to a three-month period. The three-month "no transaction" fee period begins on the first day on which a member has incurred charges under paragraph (a) or paragraph (b) above, and will continue

until the earlier of three months or the end of the six-month period.]

\* \* \* \* \*

### 7040A. Installation, Removal, Relocation or Maintenance

ADF subscribers shall pay a minimum charge of \$5,000 for installation costs associated with connecting to the ADF. Upon installation, removal, relocation or maintenance of terminal and related equipment, or combination thereof, the subscriber shall pay charges incurred by NASD or its subsidiaries above the

\$5,000 minimum, on behalf of the subscriber for the work being performed by the maintenance organization retained by NASD or its subsidiaries. Upon payment of \$5,000 under this provision, members will receive a credit of up to \$5,000 to be used toward [their trade reporting and comparison] charges imposed under Rule 7010A(a) and (b).

\* \* \* \* \*

<sup>3</sup> 17 CFR 240.19b-4(f)(2).

[\* Each TRACS query incurs the \$0.28 fee; however, the first accept or decline processed for a transaction is free, to insure that no more than

\$0.28 is charged per comparison. Subsequent queries for more data on the same security will also be processed free. Any subsequent query on a different security will incur the \$0.28 query charge.]

[\*\* The trade reporting service charge is applicable to those trades input into TRACS for reporting purposes only, such as NSCC Qualified Special Representative reports and reports of internalized transactions.]