

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54058; File No. SR-NASD-2006-073)

June 28, 2006

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Relating to the Amendment of NASD Interpretive Material 2210-4 to Require Certain Member Firms to Provide a Hyperlink to the NASD's Internet Home Page

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 8, 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 June 26, 2006, NASD filed with the Commission Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, 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 Interpretive Material ("IM") 2210-4 to require a member firm or a person associated with a member firm that refers, on its internet Web site, to the firm's membership in NASD to provide a hyperlink to NASD's Web site. Below is the text of the proposed rule change. Proposed new language is underlined.

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IM-2210-4. Limitations on Use of NASD's Name

Members may indicate NASD membership in conformity with Article XV, Section 2 of the NASD By-Laws in one or more of the following ways:

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 replaced and superseded the original rule filing in its entirety.

(1) through (2). No change.

(3) on a member's internet Web site provided that the member provides a hyperlink to NASD's internet home page, www.nasd.com, in close proximity to the member's most prominent indication of NASD membership. A member is not required to provide more than one such hyperlink on its Web site. This provision also shall apply to an internet Web site relating to the member's investment banking or securities business maintained by or on behalf of any person associated with a member.

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(b) Not applicable.

(c) Not applicable.

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

Currently, many broker-dealers refer to their membership in NASD on their internet Web sites, often in a description of the firm or in an "about us" section. The proposed rule change would require a firm, when referencing membership in NASD on its Web site, to include an accompanying hyperlink to NASD's internet home page, www.nasd.com. The proposed rule change also would apply to an internet Web site relating to a firm's investment banking or

securities business that is maintained by or on behalf of any person associated with the firm.⁴

The proposed rule change would require a firm (and persons associated with a firm where applicable) to provide a hyperlink in close proximity to the most prominent indication of the firm's membership in NASD.⁵ However, the proposed rule change would not create an independent obligation requiring a firm (or persons associated with a firm where applicable) to refer to the firm's NASD membership on an internet Web site. The proposed rule change only would apply to the extent that a firm or a person associated with a firm chooses to represent on its Web site that the firm is a member of NASD.

The proposed rule change is intended to help investors understand the significance of a firm being an NASD member and also is designed to facilitate access to the information on www.nasd.com. NASD believes that facilitating investor access to NASD's Web site will enhance investor protection and lead to better educated and informed investors. The proposed rule change is similar to a rule adopted by the Securities Investor Protection Corporation ("SIPC"), which requires that its members provide a live hyperlink to SIPC's Web site, www.SIPC.org, when referring to membership in SIPC.⁶

NASD will announce the effective date of the proposed rule change in a Notice to Members to be published no later than 60 days following Commission approval. The effective

⁴ This requirement is intended to capture, among other things, situations where a person associated with an NASD member firm maintains its own internet Web site or "home page" that relates to a member's investment banking or securities business. For example, NASD understands that independent contractors or their firms sometimes maintain a separate home page for each independent contractor for marketing purposes.

⁵ While a member would be free to provide hyperlinks relating to subsequent or additional references to NASD on its Web site, it would not be required to provide more than one hyperlink. In addition, a member would be permitted to make the word NASD itself a live hyperlink or to provide a separate hyperlink to NASD's home page so long as it is in "close proximity" to the member's most prominent indication of its NASD membership.

⁶ See Article 11, Section 4 of SIPC Bylaws.

date will be 180 days following publication of the Notice to Members announcing Commission approval.

2. Statutory Basis

NASD believes that the proposed rule change, as amended, is consistent with the provisions of Sections 15A(b)(6) of the Act,⁷ which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. NASD believes that facilitating investor access to NASD's Web site will lead to better educated and informed investors and help investors understand the significance of NASD membership.

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 by NASD.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal 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 NASD 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.

⁷ 15 U.S.C. 78q-3(b)(6).

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. Please include File Number SR-NASD-2006-073 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-2006-073. 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 provision 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 submission should refer to File Number SR-NASD-2006-073 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Nancy M. Morris
Secretary

⁸ 17 CFR 200.30-3(a)(12).