

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55524; File No. SR-NSX-2007-03)

March 26, 2007

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify Fees for Transactions Executed Through NSX BLADE and ITS Plans Priced at Less Than \$1.00 Per Share

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 March 2, 2007, the National Stock Exchange, Inc. (“NSX” or “Exchange”) 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 the Exchange. NSX 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

The Exchange is proposing changes to its fees for transactions priced at less than \$1.00 per share that are executed through NSX BLADE, the Exchange’s new trading platform. These changes are being proposed in order to comply with Rule 610(c) of Regulation NMS under the Act. The Exchange is also proposing corresponding changes to its Fee Schedule applicable to transactions under the Intermarket Trading System Plan and/or the Plan for the purpose of Creating and Operating an Intermarket Communications Linkage (“ITS Plans”) for transactions

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<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).

executed through the ITS Plans (“ITS Transactions”). The text of the proposed rule change is available at NSX, the Commission’s Public Reference Room, and [www.nsx.com](http://www.nsx.com).

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NSX 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. NSX 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

The Exchange has created a new state of the art trading platform, known as NSX BLADE, which utilizes a strict price/time priority system as the ultimate replacement for the Exchange’s legacy system, National Securities Trading System (“NSTS”). Pursuant to Exchange Rule 16.1(a), the Exchange maintains a Fee Schedule that contains its current fees, dues and other charges applicable to transactions in NSX BLADE (“NSX BLADE Fee Schedule”).

Currently, the NSX BLADE Fee Schedule provides for an execution fee of \$0.0030 per share for removing liquidity from NSX BLADE (in other words, a charge for taking liquidity against an order in NSX BLADE), and a rebate of \$0.0030 per share executed for adding liquidity into NSX BLADE (in other words, a rebate for the addition of liquidity to NSX BLADE, provided that it results in an execution through NSX BLADE). Thus, ETP Holders taking liquidity against an order in NSX BLADE are currently charged a fee of \$0.0030 per

share executed, and ETP Holders providing liquidity into NSX BLADE are currently paid a rebate of \$0.0030 per share executed.

Rule 610(c)(2) of Regulation NMS<sup>5</sup> generally requires that the fees charged by a trading center for execution of an order against a quotation of less than \$1.00 per share cannot exceed or accumulate to more than 0.3% of the quotation price per share. In order to comply with this rule, the Exchange is proposing a 0.3% per share liquidity taker fee and a 0.3% per share liquidity provider rebate for transactions that are priced at less than \$1.00 per share. This fee and rebate structure would be in lieu of the \$0.0030 per share liquidity taker fee and the \$0.0030 liquidity provider rebate described above. In other words, for transactions that are priced at less than \$1.00 per share, ETP Holders would be charged 0.3% of the price per share for taking liquidity against an order in NSX BLADE, and would receive a rebate of 0.3% of the price per share for the addition of liquidity to NSX BLADE, provided that it results in an execution through NSX BLADE. For example, if a transaction was executed on NSX BLADE for 100 shares at \$0.50 per share, any liquidity taker fee or liquidity provider rebate applicable to the transaction would be equal to \$0.15 ( $\$0.50 \times 0.3\% \times 100$ ).

In addition, changes are being proposed to the Fee Schedule for ITS Transactions, to provide for a corresponding 0.3% per share liquidity taker fee for ITS Transactions executed through NSX BLADE that are priced at less than \$1.00 per share. ETP Holders taking liquidity from NSX BLADE will be charged under the NSX BLADE Fee Schedule, and executions on NSX BLADE through an ITS Plan will be charged under the Fee Schedule for ITS Transactions (although the rates of the two execution fees are identical). The Exchange bills non-ETP Holders

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<sup>5</sup> 17 CFR 242.610(c)(2).

using the facilities of the Exchange for ITS Transactions under the Fee Schedule for ITS Transactions.

In connection with this rule change, language is also proposed to be added to the NSX BLADE Fee Schedule stating that with respect to ITS Transactions executed through NSX BLADE, the Exchange will pay the applicable liquidity provider rebate (\$0.0030 per share or 0.3% per share, depending on the execution price) only after it receives payment of the liquidity taker fee applicable to the execution.

Pursuant to NSX Rule 16.1(c), the Exchange will “provide ETP Holders with notice of all relevant dues, fees, assessments and charges of the Exchange.” ETP Holders and others, including self-regulatory organizations that are the subject of exchange-to-exchange billing, using the Exchange will be advised of these fees through the Exchange’s website. In addition, ETP Holders will, simultaneously with this filing, be notified through the issuance of a Regulatory Circular of the changes to the Fee Schedules applicable to transactions through NSX BLADE and the ITS Plans.

The fees have been designed in this manner in order to ensure that the Exchange can continue to fulfill its obligations under the Act.

## 2. Statutory Basis

NSX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>6</sup> in general, and with Sections 6(b)(4) of the Act,<sup>7</sup> in particular, in that the proposal provides for the equitable allocation of reasonable dues, fees, and other charges.

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

The Exchange does not believe that the proposed rule change will result in any burden on

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<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(4).

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 rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>8</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder<sup>9</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 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-NSX-2007-03 on the subject line.

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>9</sup> 17 CFR 240.19b-4(f)(2).

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-NSX-2007-03. 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 NSX. 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-NSX-2007-03 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.<sup>10</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).