



## Regulatory Circular 06-014

Date: October 31, 2006

To: ETP Holders

From: James C. Yong  
Chief Regulatory Officer

Re: **Implementation of Fee and Rebate for Transactions in  
Tape B Exchange Traded Funds through NSTS<sup>SM</sup> or an ITS Plan**

The National Stock Exchange, Inc. ("NSX" or the "Exchange") is implementing a new Fee Schedule under Chapter XVI of its Rules (and Rule 16.1 thereunder) for executions through National Securities Trading System<sup>SM</sup> ("NSTS"), and is proposing to amend a Fee Schedule previously filed for transactions executed through the Intermarket Trading System Plan and/or the Plan for the Purpose of Creating and Operating an Intermarket Communications Linkage Pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934 (hereinafter the "ITS Plans").

***The proposed NSTS and ITS Plan Fee Schedules provide for an execution fee for removing liquidity in Exchange Traded Funds ("ETFs") classified as Tape B securities executed through NSTS (that is charging for taking liquidity against an order in NSTS).*** ETP Holders taking liquidity will be charged under the NSTS Fee Schedule, and executions in Tape B ETFs through an ITS Plan will be charged under the ITS Plan Fee Schedule (although the rate of the two execution fees are identical).

***The Fee Schedules also provide for a rebate for adding liquidity in NSTS for ETFs that are classified as Tape B securities (that is providing a rebate for the addition of liquidity to NSTS, provided that it results in an execution through the NSTS System).***

These Fee Schedules were contained in a rule change proposal (SR-NSX-2006-14) filed with the Securities and Exchange Commission today under Section 19(b)(3)(A) of the Securities Exchange Act of 1934, as amended, which renders it effective upon filing.

With the ongoing launch of the Exchange's new state-of-the-art technology platform called NSX BLADE<sup>SM</sup>, the Exchange will be operating both NSTS and the NSX BLADE Systems and will be operating under two sets of rules.<sup>1</sup> Until

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<sup>1</sup> NSX BLADE is being phased in gradually—first with a small group of Tape C securities over several weeks until all Tape C securities have been transitioned to the new system. Once all Tape C securities

transitioned to NSX BLADE, all transactions in the NSTS System will still operate under the rules pertaining to NSTS [old Rule 11.9 (National Securities Trading System) and old Rule 11.10 (National Securities Trading System Fees)].

Tape B securities, including ETFs that are classified as Tape B securities, are currently only traded through NSTS. These securities will not be transitioned to NSX BLADE until after all Tape C securities have been transitioned. The fees and rebates applicable to these Tape B ETF securities are contained in the NSTS Fee Schedule under Rule 16.1 of the Exchange Rules. The NSTS Fee Schedule will supplement the other current fees and rebates contained in old Exchange Rule 11.10.

The new Fee Schedules are attached to this Regulatory Circular for your information. A copy of the rule change filing may be found on the NSX website. Any questions can be directed to me at 312.786.8893.

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have been transitioned to NSX BLADE, the Exchange will then transition all Tape A and Tape B securities.



## NATIONAL STOCK EXCHANGE, INC. FEE SCHEDULE

For Transactions Executed through  
the National Securities Trading System<sup>SM</sup>

As of November, 2006

The following reflects the Schedule of Fees (pursuant to Rule 16.1(a) and Rule 16.1(c)) respecting all transactions executed through the National Stock Exchange's National Securities Trading System ("NSTS<sup>SM</sup>"). This Fee Schedule supplements the fees, charges and rebates under Exchange Rule 11.10 captioned National Securities Trading System Fees (effective during the phase-in of the NSX BLADE<sup>SM</sup>.) Nothing in this Fee Schedule changes any of the fees, charges or rebates applicable to transactions through NSTS contained in Rule 11.10.

1. **Transactions in Tape B Exchange Traded Funds.** Transactions executed in ***Exchange Traded Funds that are classified as Tape B securities*** will be subject to the following rebates and execution fees (computed on a monthly basis):
  - A. *Rebate* for adding liquidity: \$0.0027 per share executed
  - B. *Execution fee* for removing liquidity: **\$0.0030** per share executed.



## NATIONAL STOCK EXCHANGE, INC. FEE SCHEDULE

For ITS Transactions

As of November, 2006

The following reflects the Schedule of Fees (pursuant to Rule 16.1(a) and Rule 16.1(c)) respecting all transactions executed through the Intermarket Trading System Plan and/or the Plan for the Purpose of Creating and Operating an Intermarket Communications Linkage (hereinafter referred to as the "ITS Plans").

1. **Transactions in Tape B Exchange Traded Funds.** Transactions executed pursuant to the ITS Plans ("ITS Transactions") in ***Exchange Traded Funds that are classified as Tape B securities*** will be subject to the following rebates and execution fees (computed on a monthly basis):
  - A. *Rebate* for adding liquidity: \$0.0027 per share executed
  - B. *Execution fee* for removing liquidity: **\$0.0030** per share executed.
2. **Pass Through Costs.** NSX may pass through costs assessed to the Exchange by any third party to a specific ETP Holder or other person using the facilities of the Exchange that are attributable to any ITS Transactions.