

MEMO# 5343

November 18, 1993

SEC APPROVES FEE STRUCTURE FOR NASD REPORTING SYSTEM FOR HIGH YIELD BONDS

November 18, 1993 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 38-93 SEC RULES MEMBERS NO. 92-93 RE: SEC APPROVES FEE STRUCTURE FOR NASD REPORTING SYSTEM FOR HIGH YIELD BONDS _____ As you know, earlier this year, the SEC approved an NASD proposal to establish rules for quotation and transaction reporting in the high yield bond markets. The SEC recently approved rules proposed by the NASD that set forth the fee structure for the NASD's Fixed Income Pricing System ("FIPS") and Bond Quotation Data Service ("BQDS"). A copy of the SEC's releases approving the fee structure for FIPS and BQDS is attached.

1. Fee Structure for FIPS The FIPS fee structure has three components. The first component is a terminal based charge that varies depending on whether an NASD member operates a "Full Function" terminal or a "Limited Function" terminal. "Full Function" terminals provide access to the full range of quotation and trade reporting capabilities of FIPS through dedicated communication circuits. "Limited Function" terminals provide access to FIPS through a dial-up service. The charge for "Full Function" terminals is \$1,000 per month for the first terminal plus \$350 per month for each additional terminal. The charge for "Limited Function" terminals is \$300 per month for each terminal plus dial-up communication charges assessed based on actual costs. The second cost component associated with FIPS is a \$1 charge for each transaction in a high yield bond that is reported to the NASD. This charge is necessary in order to offset the market surveillance costs associated with mandatory trade reporting for high yield bonds and will be assessed against the member responsible for reporting the trade and will apply to all OTC transactions in high yield bonds, regardless of whether the bonds are FIPS securities or not. The third cost component is a \$50 monthly charge assessed on those members who use the FIPS service desk to report trades in FIPS securities and other high yield bonds effected in the OTC market. The SEC approved the FIPS fee structure on September 13, 1993.

2. Fee Structure for BQDS The Bond Quotation Data Service provides for a feed of quotation and summary transaction information in FIPS securities for access by market data vendors for dissemination to their terminal subscribers. The level of BQDS charges varies depending upon whether the subscriber receives "Full BQDS information" or "Limited BQDS information." "Full BQDS information" includes the bids and offers of all FIPS participants registered in each FIPS security, the inside bid/ask quotation for each FIPS security, and hourly summary transaction information on FIPS securities. "Limited BQDS information" includes the inside bid/ask quotation for each FIPS security and hourly, summary transaction information on FIPS securities. The charge to be paid by a subscriber for each interrogation or display device receiving Full BQDS information is \$50 per year.

The charge for Limited BQDS information is \$5 per month per device. The SEC approved the BQDS fee structure on November 4, 1993. Patricia Louie Associate Counsel Attachments

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