

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² the National Association of Securities Dealers, Inc. (“NASD”), through its subsidiary, The Nasdaq Stock Market, Inc. (“Nasdaq”), is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify pricing for NASD members using the ITS/CAES System and the Brut and Inet facilities. Pursuant to Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ Nasdaq has designated this proposal as one establishing or changing a due, fee, or other charge imposed by a self-regulatory organization, and therefore the proposed rule change is effective immediately upon filing.

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in brackets.

7010. System Services

(a) - (h) No change.

(i) ITS/CAES System, Brut, and Inet Order Execution and Routing

(1) The following charges shall apply to the use of the order execution and routing services of the ITS/CAES System, Brut, and Inet (the "Nasdaq Facilities") by members for all Exchange-Traded Funds that are not listed on The NASDAQ Stock Market LLC. The term "Exchange-Traded Funds" shall mean Portfolio Depository Receipts, Index Fund Shares, and Trust Issued Receipts as such terms are defined in Rule 4420(i), (j), and (l), respectively, of The NASDAQ Stock Market LLC. For purposes of determining a member's volume in all securities under Rule 7010(i), the term "Nasdaq Facilities" shall also be deemed to include

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

the member's volume in Nasdaq-listed securities through the facilities of The NASDAQ Stock Market LLC.

Order Execution

Order that accesses the Quote/Order of a market participant that does not charge an access fee to market participants accessing its Quotes/Orders through the Nasdaq Facilities:	
Charge to member entering order:	
Members with an average daily volume through the Nasdaq Facilities in all securities during the month of (i) more than 30 million shares of liquidity provided, and (ii) more than 50 million shares of liquidity accessed and/or routed; or members with an average daily volume through the Nasdaq Facilities in all securities during the month of (i) more than 20 million shares of liquidity provided, and (ii) more than 60 million shares of liquidity accessed and/or routed	\$0.0028 per share executed (or, in the case of executions against Quotes/Orders at less than \$1.00 per share, 0.1% of the total transaction cost)
Other members	\$0.0030 per share executed (or, in the case of executions against Quotes/Orders at less than \$1.00 per share, 0.1% of the total transaction cost)
Credit to member providing liquidity:	
Members with an average daily volume through the Nasdaq Facilities in all securities during the month of more than 30 million shares of liquidity provided	\$0.0025 per share executed (or \$0, in the case of executions against Quotes/Orders at less than \$1.00 per share)
Other members	\$0.0020 per share executed (or \$0, in the case of executions against Quotes/Orders at less than \$1.00 per share)
Order that accesses the Quote/Order of a market participant that charges an access fee to market participants accessing its Quotes/Orders through the Nasdaq Facilities:	
Charge to member entering order:	
Members with an average daily volume through the Nasdaq Facilities in all securities during the	\$0.001 per share executed (but no more than \$10,000

month of more than 500,000 shares of liquidity provided	per month)
Other members	\$0.001 per share executed

Order Routing for Exchange-Traded Funds Not Listed on Nasdaq

Order routed to the New York Stock Exchange ("NYSE") through its DOT system	See DOT fee schedule in Rule 7010(i)(7)
Any other order entered by a member that is routed outside of the Nasdaq Facilities and that does not attempt to execute in the Nasdaq Facilities prior to routing	\$0.004 per share executed
Order routed to the American Stock Exchange ("Amex") after attempting to execute in the Nasdaq Facilities	\$0.003 per share executed (plus, in the case of orders charged a fee by the Amex specialist, \$0.01 per share executed)
<u>Order routed through the Intermarket Trading System ("ITS") to NYSE Arca after attempting to execute in the Nasdaq Facilities</u>	<u>\$0.0028 per share executed</u>
<u>Any other [O]order</u> routed through the Intermarket Trading System ("ITS") after attempting to execute in the Nasdaq Facilities	\$0.0007 per share executed
<u>Any other [O]order</u> routed [to venues other than the NYSE and Amex] after attempting to execute in the Nasdaq Facilities	\$0.003 per share executed

(2) – (5) No change.

(6) Except as provided in paragraph (7), the following charges shall apply to the use of the order execution and routing services of the Nasdaq Facilities by members for securities subject to the Consolidated Quotations Service and Consolidated Tape Association plans other than Exchange-Traded Funds ("Covered Securities"):

Order Execution

Order that accesses the Quote/Order of a Nasdaq Facility market participant:	
Charge to member entering order	\$0.0007 per share executed

Credit to member providing liquidity for a Covered Security listed on NYSE and The NASDAQ Stock Market LLC:	\$0.0007 per share executed
Credit to a member providing liquidity for other Covered Securities:	
Members with an average daily volume through the Nasdaq Facilities in Covered Securities during the month of more than 5 million shares of liquidity accessed, provided, or routed	\$0.0005 per share executed
Members with an average daily volume through the Nasdaq Facilities in Covered Securities during the month of 10 million or more shares of liquidity provided	\$0.0006 per share executed
Other members	No credit

Order Routing

Order routed to Amex	\$0.003 per share executed (plus, in the case of orders charged a fee by the Amex specialist, \$0.01 per share executed)
[Order routed through the ITS]	[\$0.0007 per share executed]
Order routed to NYSE	See DOT fee schedule in Rule 7010(i)(7)
Order routed to NYSE Arca	<u>\$0.0028 per share executed</u>
Order for NYSE-listed Covered Security routed to venue other than the NYSE, <u>Amex, or NYSE Arca</u>	\$0.001 per share executed
Order for Covered Security listed on venue other than the NYSE and routed to venue other than <u>Amex, NYSE, or NYSE Arca</u>	\$0.003 per share executed

<u>Order routed through the ITS to NYSE Arca</u>	<u>\$0.0028 per share executed</u>
<u>Any other order routed through the ITS</u>	<u>\$0.0007 per share executed</u>

(7) The following charges shall apply to the use of the Nasdaq Facilities by members for routing to the NYSE through its DOT system for all securities, including Exchange-Traded Funds:

Order charged a fee by the NYSE specialist	\$0.01 per share executed
Order that attempts to execute in the Nasdaq Facilities prior to routing and that is not charged a fee by the NYSE specialist	\$0.0002 per share executed (but no more than \$60,000 per month)
Order that does not attempt to execute in the Nasdaq Facilities prior to routing and that is not charged a fee by the NYSE specialist	\$0.0003 per share executed (<u>but no more than \$100,000 per month</u>)

(8) No change.

[(9) The fees applicable to non-members using Nasdaq's Brut and Inet Facilities shall be the fees established for members under Rule 7010(i), as amended by SR-NASD-2005-019, SR-NASD-2005-035, SR-NASD-2005-048, SR-NASD-2005-071, SR-NASD-2005-125, SR-NASD-2005-137, SR-NASD-2005-154, SR-NASD-2006-013, SR-NASD-2006-023, SR-NASD-2006-031, SR-NASD-2006-057, SR-NASD-2006-78, and SR-NASD-2006-092 and as applied to non-members by SR-NASD-2005-020, SR-NASD-2005-038, SR-NASD-2005-049, SR-NASD-2005-072, SR-NASD-2005-126, SR-NASD-2005-138, SR-NASD-2005-155, SR-NASD-2006-014, SR-NASD-2006-024, SR-NASD-2006-032, SR-NASD-2006-058, SR-NASD-2006-79, and SR-NASD-2006-093.]

(j) - (v) No change.

* * * * *

2. Procedures of the Self-Regulatory Organization

The Board of Directors of Nasdaq approved the proposed rule change on January 18, 2006 and July 19, 2006, and the Board of Governors of the NASD approved the

proposed rule change on January 24, 2006 and July 20, 2006, which authorized the filing of the rule change with the Commission. The staff of Nasdaq has provided an opportunity for the staff of NASD Regulation, Inc. to consult with respect to the proposed rule change, pursuant to the Plan of Allocation and Delegation of Functions by NASD to Subsidiaries. No other action by the NASD is necessary for the filing of the rule change. Nasdaq will implement the proposed rule change on October 2, 2006.

Questions regarding this rule filing may be directed to John M. Yetter, Senior Associate General Counsel, The Nasdaq Stock Market, Inc. at (301) 978-8497 (telephone) or (301) 978-8472 (fax).

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

a. Purpose

In response to a recently announced pricing change by NYSE Arca, Inc. ("NYSE Arca"),⁵ Nasdaq is instituting a price change for orders in non-Nasdaq exchange-listed securities routed to NYSE Arca for execution. Specifically, most orders in non-Nasdaq securities routed to NYSE Arca will be assessed a routing fee of \$0.0028 per share executed; the exception will be for orders for exchange-traded funds routed outside of the Intermarket Trading System, for which the fee will remain \$0.003 per share executed. By contrast, the applicable fee had been \$0.001 per share executed for orders in securities other than exchange-traded funds and \$0.0007 per share executed for orders routed through the Intermarket Trading System. The price change reflects the higher costs that Nasdaq expects to incur to access liquidity at NYSE Arca.

⁵ See SR-NYSEArca-2006-68 (September 29, 2006).

To enhance the competitiveness of Nasdaq's DOT router to the NYSE, Nasdaq is also instituting a cap of \$100,000 per month with respect to orders routed through DOT that do not attempt to execute against liquidity in Nasdaq trading systems prior to routing and that are not charged a fee by the NSYE specialist (also known as non-billable orders). Nasdaq had previously instituted a \$60,000 per month cap for non-billable orders that attempt to execute in Nasdaq before routing.⁶

b. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,⁷ in general, and with Section 15A(b)(5) of the Act,⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the NASD operates or controls. The proposed change reflects the higher costs to be incurred by Nasdaq to route orders to NYSE Arca as the result of a price increase by that venue.

4. Self-Regulatory Organization's Statement on Burden on Competition

Nasdaq 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, as amended.

⁶ The proposed rule change also deletes obsolete rule language regarding fees charged to persons that are not NASD members using Brut or Inet. Persons that are not NASD members are no longer permitted to use these systems for trading non-Nasdaq securities. Similarly, persons that are not members of The NASDAQ Stock Market LLC may not use Brut or Inet to trade Nasdaq-listed securities.

⁷ 15 U.S.C. 78o-3.

⁸ 15 U.S.C. 78o-3(b)(5).

5. 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.

6. Extension of Time Period for Commission Action

Nasdaq does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁹

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁰ and Rule 19b-4(f)(2) thereunder,¹¹ Nasdaq has designated this proposal in part as establishing or changing a due, fee, or other charge, and in part as concerned with the administration of a self-regulatory organization, which renders the proposed rule change effective immediately upon filing.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

¹¹ 17 C.F.R. 240.19b-4(f)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASD-2006-116)

September __, 2006

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. to Modify Pricing for NASD Members Using ITS/CAES, Brut and Inet

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 September __, 2006, the National Association of Securities Dealers, Inc. (“NASD”), through its subsidiary, The Nasdaq Stock Market, Inc. (“Nasdaq”), 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 Nasdaq. Pursuant to Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ Nasdaq has designated this proposal as establishing or changing a due, fee, or other charge, which renders the proposed rule change effective immediately upon filing. 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 the Substance of the Proposed Rule Change

Nasdaq proposes to modify the pricing for NASD members using ITS/CAES, Brut, and Inet. Nasdaq will implement the proposed rule change on October 2, 2006.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 C.F.R. 240.19b-4(f)(2).

The text of the proposed rule change is below. Proposed new language is in italics; proposed deletions are in brackets.

7010. System Services

(a) - (h) No change.

(i) ITS/CAES System, Brut, and Inet Order Execution and Routing

(1) The following charges shall apply to the use of the order execution and routing services of the ITS/CAES System, Brut, and Inet (the "Nasdaq Facilities") by members for all Exchange-Traded Funds that are not listed on The NASDAQ Stock Market LLC. The term "Exchange-Traded Funds" shall mean Portfolio Depository Receipts, Index Fund Shares, and Trust Issued Receipts as such terms are defined in Rule 4420(i), (j), and (l), respectively, of The NASDAQ Stock Market LLC. For purposes of determining a member's volume in all securities under Rule 7010(i), the term "Nasdaq Facilities" shall also be deemed to include the member's volume in Nasdaq-listed securities through the facilities of The NASDAQ Stock Market LLC.

Order Execution

Order that accesses the Quote/Order of a market participant that does not charge an access fee to market participants accessing its Quotes/Orders through the Nasdaq Facilities:	
Charge to member entering order:	
Members with an average daily volume through the Nasdaq Facilities in all securities during the month of (i) more than 30 million shares of liquidity provided, and (ii) more than 50 million shares of liquidity accessed and/or routed; or members with an average daily volume through the Nasdaq Facilities in all securities during the month of (i) more than 20 million shares of liquidity provided, and (ii) more than 60 million shares of liquidity accessed and/or routed	\$0.0028 per share executed (or, in the case of executions against Quotes/Orders at less than \$1.00 per share, 0.1% of the total transaction cost)
Other members	\$0.0030 per share executed (or, in the case of executions against Quotes/Orders at less than \$1.00 per share, 0.1% of the total transaction cost)
Credit to member providing liquidity:	

Members with an average daily volume through the Nasdaq Facilities in all securities during the month of more than 30 million shares of liquidity provided	\$0.0025 per share executed (or \$0, in the case of executions against Quotes/Orders at less than \$1.00 per share)
Other members	\$0.0020 per share executed (or \$0, in the case of executions against Quotes/Orders at less than \$1.00 per share)
Order that accesses the Quote/Order of a market participant that charges an access fee to market participants accessing its Quotes/Orders through the Nasdaq Facilities:	
Charge to member entering order:	
Members with an average daily volume through the Nasdaq Facilities in all securities during the month of more than 500,000 shares of liquidity provided	\$0.001 per share executed (but no more than \$10,000 per month)
Other members	\$0.001 per share executed

Order Routing for Exchange-Traded Funds Not Listed on Nasdaq

Order routed to the New York Stock Exchange ("NYSE") through its DOT system	See DOT fee schedule in Rule 7010(i)(7)
Any other order entered by a member that is routed outside of the Nasdaq Facilities and that does not attempt to execute in the Nasdaq Facilities prior to routing	\$0.004 per share executed
Order routed to the American Stock Exchange ("Amex") after attempting to execute in the Nasdaq Facilities	\$0.003 per share executed (plus, in the case of orders charged a fee by the Amex specialist, \$0.01 per share executed)
<u>Order routed through the Intermarket Trading System ("ITS") to NYSE Arca after attempting to execute in the Nasdaq Facilities</u>	<u>\$0.0028 per share executed</u>
<u>Any other [O]order routed through the Intermarket Trading System ("ITS") after attempting to execute in the Nasdaq Facilities</u>	\$0.0007 per share executed

Any other [O]rder routed [to venues other than the NYSE and Amex] after attempting to execute in the Nasdaq Facilities	\$0.003 per share executed
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(2) – (5) No change.

(6) Except as provided in paragraph (7), the following charges shall apply to the use of the order execution and routing services of the Nasdaq Facilities by members for securities subject to the Consolidated Quotations Service and Consolidated Tape Association plans other than Exchange-Traded Funds ("Covered Securities"):

Order Execution

Order that accesses the Quote/Order of a Nasdaq Facility market participant:	
Charge to member entering order	\$0.0007 per share executed
Credit to member providing liquidity for a Covered Security listed on NYSE and The NASDAQ Stock Market LLC:	\$0.0007 per share executed
Credit to a member providing liquidity for other Covered Securities:	
Members with an average daily volume through the Nasdaq Facilities in Covered Securities during the month of more than 5 million shares of liquidity accessed, provided, or routed	\$0.0005 per share executed
Members with an average daily volume through the Nasdaq Facilities in Covered Securities during the month of 10 million or more shares of liquidity provided	\$0.0006 per share executed
Other members	No credit

Order Routing

Order routed to Amex	\$0.003 per share executed (plus, in the case of orders charged a fee by the Amex specialist, \$0.01 per share executed)
[Order routed through the ITS]	[\$0.0007 per share executed]
Order routed to NYSE	See DOT fee schedule in Rule 7010(i)(7)
<u>Order routed to NYSE Arca</u>	<u>\$0.0028 per share executed</u>
Order for NYSE-listed Covered Security routed to venue other than the NYSE, Amex, or NYSE Arca	\$0.001 per share executed
Order for Covered Security listed on venue other than the NYSE and routed to venue other than Amex, NYSE, or NYSE Arca	\$0.003 per share executed
<u>Order routed through the ITS to NYSE Arca</u>	<u>\$0.0028 per share executed</u>
<u>Any other order routed through the ITS</u>	<u>\$0.0007 per share executed</u>

(7) The following charges shall apply to the use of the Nasdaq Facilities by members for routing to the NYSE through its DOT system for all securities, including Exchange-Traded Funds:

Order charged a fee by the NYSE specialist	\$0.01 per share executed
Order that attempts to execute in the Nasdaq Facilities prior to routing and that is not charged a fee by the NYSE specialist	\$0.0002 per share executed (but no more than \$60,000 per month)
Order that does not attempt to execute in the Nasdaq Facilities prior to routing and that is not charged a fee by the NYSE specialist	\$0.0003 per share executed (<u>but no more than \$100,000 per month</u>)

(8) No change.

[(9) The fees applicable to non-members using Nasdaq's Brut and Inet Facilities shall be the fees established for members under Rule 7010(i), as amended by SR-NASD-2005-019, SR-NASD-2005-035, SR-NASD-2005-048, SR-NASD-2005-071, SR-NASD-2005-125, SR-NASD-2005-137, SR-NASD-2005-154, SR-NASD-2006-013, SR-NASD-2006-023, SR-NASD-2006-031, SR-NASD-2006-057, SR-NASD-2006-78, and SR-NASD-2006-092 and as applied to non-members by SR-NASD-2005-020, SR-NASD-2005-038, SR-NASD-2005-049, SR-NASD-2005-072, SR-NASD-2005-126, SR-NASD-2005-138, SR-NASD-2005-155, SR-NASD-2006-014, SR-NASD-2006-024, SR-NASD-2006-032, SR-NASD-2006-058, SR-NASD-2006-79, and SR-NASD-2006-093.]

(j) - (v) No change.

* * * * *

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

In its filing with the Commission, Nasdaq 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. Nasdaq 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

In response to a recently announced pricing change by NYSE Arca, Inc. ("NYSE Arca"),⁵ Nasdaq is instituting a price change for orders in non-Nasdaq exchange-listed securities routed to NYSE Arca for execution. Specifically, most orders in non-Nasdaq securities routed to NYSE Arca will be assessed a routing fee of \$0.0028 per share executed; the exception will be for orders for exchange-traded funds routed outside of the Intermarket Trading System, for which the fee will remain \$0.003 per share executed.

⁵ See SR-NYSEArca-2006-68 (September 29, 2006).

By contrast, the applicable fee had been \$0.001 per share executed for orders in securities other than exchange-traded funds and \$0.0007 per share executed for orders routed through the Intermarket Trading System. The price change reflects the higher costs that Nasdaq expects to incur to access liquidity at NYSE Arca.

To enhance the competitiveness of Nasdaq's DOT router to the NYSE, Nasdaq is also instituting a cap of \$100,000 per month with respect to orders routed through DOT that do not attempt to execute against liquidity in Nasdaq trading systems prior to routing and that are not charged a fee by the NSYE specialist (also known as non-billable orders). Nasdaq had previously instituted a \$60,000 per month cap for non-billable orders that attempt to execute in Nasdaq before routing.⁶

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,⁷ in general, and with Section 15A(b)(5) of the Act,⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the NASD operates or controls. The proposed change reflects the higher costs to be incurred by Nasdaq to route orders to NYSE Arca as the result of a price increase by that venue.

B. Self-Regulatory Organization's Statement on Burden on Competition

⁶ The proposed rule change also deletes obsolete rule language regarding fees charged to persons that are not NASD members using Brut or Inet. Persons that are not NASD members are no longer permitted to use these systems for trading non-Nasdaq securities. Similarly, persons that are not members of The NASDAQ Stock Market LLC may not use Brut or Inet to trade Nasdaq-listed securities.

⁷ 15 U.S.C. 78o-3.

⁸ 15 U.S.C. 78o-3(b)(5).

Nasdaq 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, as amended.

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 Act⁹ and subparagraph (f)(2) of Rule 19b-4 thereunder.¹⁰ 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, 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

⁹ 15 U.S.C. 78s(b)(3)(a)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2006-116 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-2006-116. 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 Section, 100 F Street, NE, Washington, DC 20549-1090. Copies of such filing also will be available for inspection and copying at the principal office of the 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 submissions should refer to File Number SR-NASD-2006-116 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.¹¹

Nancy M. Morris
Secretary

¹¹ 17 CFR 200.30-3(a)(12).