

Proposed Rule Change by National Association of Securities Dealers
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Thomas"/>	Last Name	<input type="text" value="Moran"/>
Title	<input type="text" value="Associate General Counsel"/>		
E-mail	<input type="text" value="thomas.moran@nasdaq.com"/>		
Telephone	<input type="text" value="(301) 978-8483"/>	Fax	<input type="text" value="(301) 978-8472"/>

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date

By Executive Vice President and General Counsel
(Name) (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

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) under 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 Rule 4903 to enhance the flexibility of the Brut Directed Cross Order for orders ultimately directed to the New York Stock Exchange (“NYSE”). Nasdaq has designated this proposal as non-controversial and requests that the Commission waive the 30-day pre-operative waiting period contained in Exchange Act Rule 19b-4(f)(6)(iii). If such a waiver is granted by the Commission, this rule proposal, which is effective upon filing with the Commission, shall become immediately operative pursuant to SEC Rule 19b-4(f)(6).

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

* * * * *

4903. Order Entry Parameters

(a) No Change.

(b) Brut Cross Orders—

(1) General. A Brut Cross Order is an order that is displayed in the System, and is executable against marketable contra-side orders in the System. The order also is eligible

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

for routing to other market centers. If marketable upon receipt against both orders in the System as well as other market centers, the order shall execute first against System orders. With the exception of Directed Cross Orders, once a Brut Cross Order is routed (in whole or in part) to another market center, any remaining unexecuted or returned portion of the order shall be posted in System and shall no longer be eligible for routing to other market centers. Directed Cross Orders directed to the New York Stock Exchange shall remain at the exchange until executed or cancelled by the entering party.

(A) - (C) **No Change.**

(D) A Brut Cross Order may also be designated as a Directed Cross Order. A Directed Cross Order is an order that is entered into the System during market hours and is executable against marketable contra-side orders in the System. The order also is eligible for routing to other market centers. After being processed and exhausting available liquidity, the order is automatically routed to the specific market center selected by the entering party for potential execution. Any portion of the Directed Cross Order that remains unfilled after being routed to the selected market center will be returned to the entering party. For Directed Cross Orders directed to the New York Stock Exchange [if, after being processed in the Brut System and exhausting available liquidity in the Brut System], such orders will first interact with any available liquidity in the Brut, INET, and ITS/CAES systems [be automatically routed to the ITS/CAES System and INET for potential execution] and thereafter, if instructed by the entering party, to other market centers that provide automated electronic executions before being sent to the New York Stock Exchange. Directed Cross Orders directed to the New York Stock Exchange shall remain at the New York Stock Exchange until executed or cancelled by the entering party.

(E) – (F) **No Change.**

(c) – (f) **No Change.**

* * * * *

2. Procedures of the Self-Regulatory Organization

The Board of Directors of Nasdaq approved the proposed rule change at its meeting on April 19, 2005, and the Board of Governors of the NASD reviewed the proposed rule change at its meeting on April 21, 2005, 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 make the proposed rule change effective immediately.

Questions regarding this rule filing may be directed to Thomas Moran, Associate General Counsel, The Nasdaq Stock Market, Inc. at (301) 978-8483 (telephone) or (301) 978-8485 (fax).

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

a. Purpose

Nasdaq is proposing to increase the flexibility of the Brut Directed Cross Order for orders directed to the New York Stock Exchange ("NYSE"). Currently parties entering a Brut Directed Cross Order directed to the New York Stock Exchange have those orders first processed in the Brut System and, after exhausting available liquidity in the Brut System, thereafter automatically routed to the ITS/CAES System and Nasdaq's INET Facility ("INET") for potential execution and finally, if instructed by the entering party,

to other market centers that provide automated electronic executions before being sent to the New York Stock Exchange. Nasdaq is proposing to modify the behavior of the Brut Directed Cross order so that it will now check and, if appropriate, interact with, available liquidity in any of the following Nasdaq-operated execution facilities: the ITS/CAES System, Nasdaq's Brut Facility or Nasdaq's INET Facility, before being sent upon request to other market centers that provide automated electronic executions before finally being delivered to the NYSE.

Nasdaq believes that the above change will enhance the ability of market participants to take advantage of beneficial liquidity residing across all three of Nasdaq's current execution systems. Further, such processing will increase the likelihood of having users' NYSE-bound orders executed electronically thereby improving the speed and efficiency of the market as a whole. As before, no Brut Directed Cross Order will execute in a Nasdaq-operated execution venue at an inferior price to one that is available at an accessible alternative venue.

b. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,³ in general and with Section 15A(b)(6) of the Act,⁴ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, remove impediments to a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

³ 15 U.S.C. 78o-3.

⁴ 15 U.S.C. 78o-3(b)(6).

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.

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.

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

Nasdaq has designated this proposal as non-controversial and requests that the Commission waive the 30-day pre-operative waiting period contained in Exchange Act Rule 19b-4(f)(6)(iii).⁵ If such a waiver is granted by the Commission, this rule proposal, which is effective upon filing with the Commission, shall become immediately operative pursuant to SEC Rule 19b-4(f)(6). Given the enhanced flexibility and efficiency that can be expected from implementation of the proposed modification, Nasdaq believes that such benefits should be made available as soon as practicable and that a waiver of the 30-day pre-operative period is appropriate.

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

Not applicable.

9. Exhibits

⁵ Pursuant to SEC Rule 19b-4(f)(6)(iii), Nasdaq provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change.

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

Pursuant to the requirements of the Act, Nasdaq has caused this filing to be signed by the duly authorized undersigned.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NASD-2006-117)

October __, 2006

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. to Enhance the Brut Directed Cross Order

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 October __, 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. 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 enhance the flexibility of the Brut Directed Cross Order by allowing it to check and, if appropriate, interact with available liquidity in any of Nasdaq’s three execution system (ITS/CAES System, Brut or INET) before further processing. Nasdaq will implement the proposed rule change immediately.

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

* * * * *

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

4903. Order Entry Parameters

(a) **No Change.**

(b) **Brut Cross Orders—**

(1) General. A Brut Cross Order is an order that is displayed in the System, and is executable against marketable contra-side orders in the System. The order also is eligible for routing to other market centers. If marketable upon receipt against both orders in the System as well as other market centers, the order shall execute first against System orders. With the exception of Directed Cross Orders, once a Brut Cross Order is routed (in whole or in part) to another market center, any remaining unexecuted or returned portion of the order shall be posted in System and shall no longer be eligible for routing to other market centers. Directed Cross Orders directed to the New York Stock Exchange shall remain at the exchange until executed or cancelled by the entering party.

(A) - (C) **No Change.**

(D) A Brut Cross Order may also be designated as a Directed Cross Order. A Directed Cross Order is an order that is entered into the System during market hours and is executable against marketable contra-side orders in the System. The order also is eligible for routing to other market centers. After being processed and exhausting available liquidity, the order is automatically routed to the specific market center selected by the entering party for potential execution. Any portion of the Directed Cross Order that remains unfilled after being routed to the selected market center will be returned to the entering party. For Directed Cross Orders directed to the New York Stock Exchange [if, after being processed in the Brut System and exhausting available liquidity in the Brut System], such orders will first interact with any available liquidity in the Brut, INET, and

ITS/CAES systems [be automatically routed to the ITS/CAES System and INET for potential execution] and thereafter, if instructed by the entering party, to other market centers that provide automated electronic executions before being sent to the New York Stock Exchange. Directed Cross Orders directed to the New York Stock Exchange shall remain at the New York Stock Exchange until executed or cancelled by the entering party.

(E) – (F) **No Change.**

(c) – (f) **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

Nasdaq is proposing to increase the flexibility of the Brut Directed Cross Order for orders directed to the New York Stock Exchange (“NYSE”). Currently parties entering a Brut Directed Cross Order directed to the New York Stock Exchange have those orders first processed in the Brut System and, after exhausting available liquidity in the Brut System, thereafter automatically routed to the ITS/CAES System and Nasdaq’s INET

Facility (“INET”) for potential execution and finally, if instructed by the entering party, to other market centers that provide automated electronic executions before being sent to the New York Stock Exchange. Nasdaq is proposing to modify the behavior of the Brut Directed Cross order so that it will now check and, if appropriate, interact with, available liquidity in any of the following Nasdaq-operated execution facilities: the ITS/CAES System, Nasdaq’s Brut Facility or Nasdaq’s INET Facility, before being sent upon request to other market centers that provide automated electronic executions before finally being delivered to the NYSE.

Nasdaq believes that the above change will enhance the ability of market participants to take advantage of beneficial liquidity residing across all three of Nasdaq’s current execution systems. Further, such processing will increase the likelihood of having users’ NYSE-bound orders executed electronically thereby improving the speed and efficiency of the market as a whole. As before, no Brut Directed Cross Order will execute in a Nasdaq-operated execution venue at an inferior price to one that is available at an accessible alternative venue.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A of the Act,³ in general and with Section 15A(b)(6) of the Act,⁴ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, remove impediments to a free and open market and a national market system, and, in general, to protect investors and the public interest.

³ 15 U.S.C. 78o-3.

⁴ 15 U.S.C. 78o-3(b)(6).

B. 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.

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) of the Act and subparagraph (f)(6)(iii) of Rule 19b-4 thereunder in that it effects a change that does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

At any time within 60 days of the filing of a rule change pursuant to Section 19(b)(3)(A) of the Act, the Commission may summarily abrogate the 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2006-117 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASD-2006-117. 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 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-2006-117 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.⁵

Nancy Morris
Secretary

⁵ 17 CFR 200.30-3(a)(12).