

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"/>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires <input type="text"/>			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input 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).

A proposed rule change to modify pricing for NASD members using the ITS CAES System and the Nasdaq Inet facility.

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 Last Name
 Title
 E-mail
 Telephone Fax

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

Add Remove View

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

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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 Nasdaq’s Inet facility (collectively, the “Nasdaq 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. Nasdaq will implement this rule change on December 1, 2006.

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in brackets.⁵

7010. System Services

(a) - (h) No change.

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

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).

⁵ Changes are marked to the rule text that appears in the electronic NASD Manual found at www.nasd.com, as further amended on an immediately effective basis by SR-NASD-2006-130 (November 30, 2006).

(1) – (6) No change.

(7) The following charges shall apply to the use of the Nasdaq Facilities by members for routing to the NYSE 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 or that is routed to NYSE via ITS]	[\$0.0002 per share executed (but no more than \$25,000 per month)]
<u>Order for Exchange-Traded Fund</u>	<u>\$0.0028 per share executed</u>
<u>All other orders</u>	<u>\$0.000225 per share executed</u>
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 (but no more than \$75,000 per month)]
<u>Order for Exchange-Traded Fund</u>	<u>\$0.003 per share executed</u>
<u>All other orders</u>	<u>\$0.000275 per share executed</u>

(8) No change.

(j) - (y) No change.

* * * * *

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of Nasdaq pursuant to authority delegated by the Board of Directors of Nasdaq on October 18, 2006 and the Board of Governors of NASD on November 10, 2006. 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. The staff will advise the Board of Directors of Nasdaq and the Board of Governors of NASD of any action taken pursuant to delegated authority. No other action by the NASD is necessary for the filing of the rule change. Nasdaq will implement this rule change on December 1, 2006.

Questions regarding this rule filing may be directed to John M. Yetter, Vice President, Nasdaq, 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

Nasdaq is modifying its price schedule for routing orders to the New York Stock Exchange ("NYSE") in response to significant pricing changes that were filed and announced by NYSE on November 30, 2006 and implemented by it on December 1, 2006.⁶ Specifically, the NYSE filings establish an increased execution fee of \$0.000275 per share executed for securities other than exchange-traded funds and a fee of \$0.003 per share executed for most orders for exchange-traded funds, eliminate a \$750,000 monthly fee cap, and eliminate specialist commissions on transactions.

To ensure that its fees for routing orders to the NYSE accurately reflect the costs that Nasdaq will incur and provide appropriate incentives for Nasdaq market participants to seek liquidity on Nasdaq rather than routing directly to NYSE, Nasdaq is instituting the following fees:

⁶ See SR-NYSE-2006-106 (November 30, 2006) (filing to increase transaction execution fees and eliminate fee cap); SR-NYSE-2006-105 (November 30, 2006) (filing to eliminate specialist fees).

- \$0.003 per share executed for exchange-traded fund orders that route to NYSE without attempting to execute in the Nasdaq Facilities;
- \$0.0028 per share executed for exchange-traded fund orders that route to NYSE after attempting to execute in the Nasdaq Facilities;
- \$0.000275 per share executed for orders in securities other than exchange-traded funds that route to NYSE without attempting to execute in the Nasdaq Facilities; and
- \$0.000225 per share executed for orders in securities other than exchange-traded funds that route to NYSE after attempting to execute in the Nasdaq Facilities.

As a further corollary to the changes made by NYSE, Nasdaq is eliminating the monthly fee caps that it had in place for orders routed to NYSE and eliminating the fee for orders charged a fee by the NYSE specialist.

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 is a direct response to changes in the fees that Nasdaq pays when routing orders to the NYSE for execution.

⁷ 15 U.S.C. 78o-3.

⁸ 15 U.S.C. 78o-3(b)(5).

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.

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 as establishing or changing a due, fee, or other charge, 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-2006-132)

December __, 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 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 December 1, 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.

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).

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 and Inet. Nasdaq will implement this rule change on December 1, 2006.

The text of the proposed rule change is below. Proposed new language is in italics; proposed deletions are in brackets.⁵

7010. System Services

(a) - (h) No change.

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

(1) – (6) No change.

(7) The following charges shall apply to the use of the Nasdaq Facilities by members for routing to the NYSE 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 or that is routed to NYSE via ITS]	[\$0.0002 per share executed (but no more than \$25,000 per month)]
<u>Order for Exchange-Traded Fund</u>	<u>\$0.0028 per share executed</u>
<u>All other orders</u>	<u>\$0.000225 per share executed</u>
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 (but no more than \$75,000 per month)]

⁵ Changes are marked to the rule text that appears in the electronic NASD Manual found at www.nasd.com, as further amended on an immediately effective basis by SR-NASD-2006-130 (November 30, 2006).

<u>Order for Exchange-Traded Fund</u>	<u>\$0.003 per share executed</u>
<u>All other orders</u>	<u>\$0.000275 per share executed</u>

(8) No change.

(j) - (y) 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 modifying its price schedule for routing orders to the New York Stock Exchange ("NYSE") in response to significant pricing changes that were filed and announced by NYSE on November 30, 2006 and implemented by it on December 1, 2006.⁶ Specifically, the NYSE filings establish an increased execution fee of \$0.000275 per share executed for securities other than exchange-traded funds and a fee of \$0.003 per

⁶ See SR-NYSE-2006-106 (November 30, 2006) (filing to increase transaction execution fees and eliminate fee cap); SR-NYSE-2006-105 (November 30, 2006) (filing to eliminate specialist fees).

share executed for most orders for exchange-traded funds, eliminate a \$750,000 monthly fee cap, and eliminate specialist commissions on transactions.

To ensure that its fees for routing orders to the NYSE accurately reflect the costs that Nasdaq will incur and provide appropriate incentives for Nasdaq market participants to seek liquidity on Nasdaq rather than routing directly to NYSE, Nasdaq is instituting the following fees:

- \$0.003 per share executed for exchange-traded fund orders that route to NYSE without attempting to execute in the Nasdaq Facilities;
- \$0.0028 per share executed for exchange-traded fund orders that route to NYSE after attempting to execute in the Nasdaq Facilities;
- \$0.000275 per share executed for orders in securities other than exchange-traded funds that route to NYSE without attempting to execute in the Nasdaq Facilities; and
- \$0.000225 per share executed for orders in securities other than exchange-traded funds that route to NYSE after attempting to execute in the Nasdaq Facilities.

As a further corollary to the changes made by NYSE, Nasdaq is eliminating the monthly fee caps that it had in place for orders routed to NYSE and eliminating the fee for orders charged a fee by the NYSE specialist.

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 is a direct response to changes in the fees that Nasdaq pays when routing orders to the NYSE for execution.

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)(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

⁷ 15 U.S.C. 78o-3.

⁸ 15 U.S.C. 78o-3(b)(5).

⁹ 15 U.S.C. 78s(b)(3)(a)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2006-132 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-2006-132. 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-2006-132 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).