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August 27, 2010

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-9303

Re: SR-NASDAQ-2010-089

Dear Ms. Murphy:

This letter is submitted to respond to a comment received from Wedbush Securities, Inc. (“Wedbush”) in connection with the Securities and Exchange Commission’s (the “SEC” or “Commission”) review of the above-captioned proposed rule change. The proposed rule change implements a new fee for each market participant identifier or maker participant identifier approved by The NASDAQ Stock Market (“NASDAQ”) for use by a member firm on NASDAQ systems of in excess of one (collectively, “Supplemental MPIDs”).

Wedbush is one of a small number of NASDAQ members that offer sponsored access to NASDAQ to a large number of broker-dealers and other market participants. Wedbush is one of the largest private, independent brokerage firms in the United States.<sup>1</sup> By offering sponsored access to its clients, Wedbush aggregates order flow to achieve lower tiered pricing for its clients on NASDAQ and other markets. In addition to receiving substantial benefit from discounted trading fees, Wedbush’s sponsored access clients avoid annual membership fees and trading fees that are assessed to NASDAQ members. Wedbush, in turn, receives substantial benefit as the sponsoring firm through fees assessed its sponsoree clients.

Wedbush asserts that the proposed fee is “outsized” compared to other exchanges, noting that its monthly MPID fee will total \$84,000. NASDAQ notes, however, that of the 650 member firms with MPID nearly 400 will not be affected by the new fee. Importantly, what is not mentioned in Wedbush’s comments is that there are many market participants enjoying the use of the MPIDs assigned to Wedbush. As such, what is apparently a substantial fee is, in reality, deminimus when the number of market participants under

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<sup>1</sup> See <http://www.wedbush.com/>.

Ms. Elizabeth M. Murphy

August 27, 2010

Page 2

Wedbush's umbrella is considered. As noted, like NASDAQ's members, Wedbush's clients avail themselves of the benefit of participation on NASDAQ, however, unlike NASDAQ members, most of Wedbush's clients are not obligated to pay the fees NASDAQ assesses for market participation. NASDAQ believes that it is clear the benefits that sponsored access clients receive from aggregating order flow through firms such as Wedbush, as well as the benefits that firms offering sponsored access receive from this relationship, far outweigh the additional cost that would be incurred by these participants under the new Supplemental MPID fee. In this regard, it is noteworthy that of the fourteen member firms that offer sponsored access and that possess ten or more MPIDs only Wedbush has commented negatively on the proposed fee.

Wedbush also asserts that the Supplemental MPID fee is against the public interest. In particular, Wedbush asserts that the Supplemental MPID fee will incent firms to aggregate business under a single MPID. NASDAQ strongly disagrees with this assertion. NASDAQ data show that the new fee has not had this effect, but rather has resulted in a modest 15% overall decrease in the number of MPIDs assigned by NASDAQ since the fee was announced. This modest reduction is consistent with NASDAQ's goal of bringing efficiency to the use of MPIDs, as well as reducing administrative and regulatory burdens associated with the assignment and maintenance of MPIDs. Wedbush itself has cancelled a significant number of its eighty-four MPIDs, none of which had any NASDAQ trade activity over the last two months. In addition, there are means other than MPIDs by which a firm offering sponsored access may determine the origin of order flow, such as the port assigned to the client to access a particular market.

We thank the Commission for the opportunity to respond to the comments made regarding SR-NASDAQ-2010-089 and welcome the opportunity answer any further questions concerning our proposal staff may have.

Respectfully,

A handwritten signature in black ink, consisting of a large, stylized initial 'E' followed by a long horizontal line extending to the right.