



NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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December 21, 2006

VIA E-MAIL: rule-comments@sec.gov

Nancy M. Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

**Re: File Number S7-18-06
Covered Securities Pursuant to Section 18 of the Securities Act of 1933, Securities
Act Release No. 8754, 71 FR 67762 (Nov. 16, 2006)**

Dear Ms. Morris:

The North American Securities Administrators Association (“NASAA”) appreciates the opportunity to comment in connection with Release 8754, in which the Securities and Exchange Commission proposes to amend Rule 146(b). The proposed rule would deem securities listed on the Nasdaq Capital Market (“NCM”) to be federal “covered securities” for purposes of Section 18(b)(1) of the Securities Act of 1933. If Rule 146(b) were so amended, securities listed on the NCM would no longer be subject to state-level securities registration or exemption requirements. By letter dated March 29, 2006, NASAA provided initial comments about this matter.

NASAA does not oppose these proposed amendments because, in addition to the standards the Commission discusses in Release 8754, in its Petition the NCM has represented that it abides by regulatory principles that are important to investor protection. These principles include both quantitative and qualitative listing and maintenance standards that are enforced and cannot be waived.

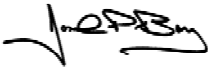
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In considering future amendments to Rule 146(b), NASAA believes the Commission should consider both the quantitative and qualitative listing standards of an exchange in determining whether an exchange has listing standards “substantially similar” to an exchange named in Section 18(b)(1) of the Securities Act of 1933. When Congress gave the Commission the authority to make this determination, it only intended to preempt state securities registration requirements as to exchanges that list securities that are “blue chip” and “do not require state regulatory oversight.” Senate Rep. No. 293, 104th Cong., 2nd Sess. (1996). In NASAA’s view, this does not include exchanges that give ad hoc waivers or exceptions to standards, fail to enforce minimum price requirements, list “unseasoned” issuers based solely on temporary price increases, allow issuers to remain delinquent in filing public reports, or list “blind pool” or similar issuers.

The Commission should only remove the investor protections provided by state securities registration if exchange listing standards are meaningful and vigorously enforced.

Thank you for considering our comments on the proposed amendments. Should you have any questions on this matter, please contact Rex Staples, NASAA General Counsel, at rs@nasaa.org or (202) 737-0900 or Michael Stevenson, Director of the Washington Securities Division and Chair of the NASAA Corporate Finance Section Committee, at mstevenson@dfi.wa.gov or (360)-902-8797.

Sincerely,



Joseph P. Borg
NASAA President and
Director, Alabama Securities Commission

¹ NASAA is a voluntary association of 67 state, provincial and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and Mexico. Organized in 1919, NASAA is the oldest international organization devoted to investor protection, efficient capital formation and fair and open securities markets.

² The proposed rule would also update references to other exchanges in light of name and organizational changes. NASAA supports these changes, which should help small businesses, investors and other interested persons better understand which exchanges the rule is intended to identify.