



July 10, 2006

Ms. Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-9303

**Subject: File No. SR-NASD-2006-039**

Dear Ms. Morris,

Pink Sheets LLC ("Pink Sheets") strongly supports the NASD's proposal to modify and expand NASD's authority to initiate trading and quotation halts in over-the-counter ("OTC") equity securities. However, we object to that portion of the proposal that would permit the NASD to impose a halt greater than four business days because the NASD's rules fail to provide essential due process rights to interested persons that may be adversely affected by the trading halt. We also believe that with this protection added the proposal can be made much more effective through more often initiation of halts by the NASD as well as expanding the type of foreign halts recognized.

Pink Sheets is the leading provider of pricing and financial information for the over-the-counter (OTC) securities markets and, among other things, operates an Internet-based, real-time quotation service for OTC equities and bonds for market makers and other registered broker-dealers.

A trading halt that extends for a period greater than four days will cause the security to lose "piggy back eligibility" under Rule 15c2-11 of the Securities Exchange Act of 1934 (the "Exchange Act"). This will require market makers in the security to file a Form 211 to resume trading, a process that frequently takes weeks or months to complete. As a result, a halt that lasts longer than four days as a practical matter will cause a security to stop trading for a much longer period of time, and with the passage of time, may result in the complete elimination of a trading market in that security. An unwarranted halt may therefore result in harm to investors.

SEC suspensions of trading under Section 12(k) of the Exchange Act are subject to administrative and judicial review. Accordingly, interested persons adversely affected by such suspensions can submit complaints to a judicial or quasi-judicial hearing where they are provided with an opportunity to be heard. Suspensions that are unwarranted can be terminated and their adverse effects ameliorated.

In contrast, NASD trading halts are not subject to administrative or judicial review. Accordingly, there is no forum to which persons adversely affected by the trading halt

can complain and no process by which they may be heard. Without due process, there is an increased potential for administrative error and injustice to innocent investors.

It should be noted that the SEC can readily extend a four-day NASD trading halt with its own suspension under Exchange Act Section 12(k), if an SEC suspension is warranted under the circumstances.

We wish to make clear that our proposed four-day limit on NASD trading halts should not apply to "foreign regulatory halts," as defined by Rule 6660. Moreover, we believe that IM-6660-1 should make clear that a relevant Canadian Provincial Authority is included within the meaning of the phrase "regulatory authority overseeing such issuer, exchange or market" under NASD Rule 6660, in cases where the issuer is not listed on a Canadian exchange. A recent article pointed out that approximately 20% of OTCBB companies and 5% of Pink Sheets companies have ties to questionable persons and entities located in Vancouver, British Columbia.<sup>1</sup>

We are aware that the NASD has expressed assurances that it will only exercise trading halt authority sparingly and for good cause. And, we acknowledge the good will of NASD officials who have to make difficult decisions under trying circumstances. However, the good will and best intentions of public officials are poor substitutes for due process. Notice and an opportunity to be heard are the hallmarks of the American administrative process.

We believe that the use of trading halts is an effective weapon against fraud and think it should be applied more than just "sparingly." Accordingly, the words in IM-6660-1 stating that the NASD "will exercise this authority in very limited circumstances" should be replaced with the words "will exercise this authority where necessary to protect the market and investors." A four-day limitation would enable more effective use of trading halts as an anti-fraud strategy.

In the absence of an adequate forum to facilitate the exercise of due process, we strongly believe that NASD trading halts should be limited to four days, except in connection with "foreign regulatory halts."

Please call me if you have any questions.

Very truly yours,

R. Cromwell Coulson  
Chief Executive Officer

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<sup>1</sup> Baines, David, "Bulletin Board, Pink Sheet Companies Give Vancouver Bad Image," *Vancouver Sun*, Business Section, p. G5 (June 29, 2006).