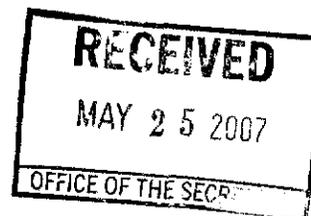


HUDSON SECURITIES INC.

2

May 23, 2007



Ms. Nancy Morris
Secretary, Office of the Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Release No. 34-55717; File No. SR-NASD-2007-029 NASD Notice of Filing of Proposed Rule Change Regarding NASD Rule 6540(c) and Access Fees by ATS/ECNs for OTCBB Securities

Dear Ms. Morris:

Hudson Securities, Inc. ("Hudson") welcomes the opportunity and respectfully submits the following comments to the Securities and Exchange Commission on the amendments proposed by the National Association of Securities Dealers, Inc. regarding access fees by ATS/ECNs for Over the Counter Bulletin Board ("OTCBB") securities.

The NASD proposes to amend NASD Rule 6540(c) to eliminate the requirement that ATS or ECNs are required to display non-subscriber access or post transaction fees in their published quotations. The proposed amendment would only require ATS and ECNs to display where those fees exceed or accumulate to more than (a) \$0.003 per share for published quotations priced equal to or greater than \$1.00; or (b) 0.3% per share of the published quotation price for published quotations priced less than \$1.00.

NASD has determined to withdraw its prior rule filing, SR-NASD-2005-095 in the face of numerous industry comment letters opposed to the prior amendment, which had sought to eliminate altogether Rule 6540(c) and the ATS and ECN fee display requirement in their posted quotes on the OTCBB.

Hudson respectfully opposes the proposed rule for the same reasons that some of its industry colleagues opposed the prior rule filing.

ECNs and market makers, like Hudson, are competitors for order flow. Currently, ECNs have an unfair advantage as regulation has allowed ECNs to charge access fees, but has not allowed other market participants to charge the same fees as ECNs. Market makers are forced to access an ECN to satisfy their best execution obligations and must pay for that access. Hudson and other wholesale market makers do not charge other broker-dealer customers commissions. Accordingly, the ECN fees are not passed on, and are absorbed by wholesale market makers.

HUDSON SECURITIES INC.

The proposed amendment is further damaging to market makers as it will create situations where an ECN is not required to display its access fee and therefore it will appear that the ECN and a market maker are both at the inside market. However, because the ECN is not required to display its access fee under the new rule, the ECN price is actually inferior to the market maker's price. Under such circumstances, it is unreasonable and completely misleading to permit the ECN to display the same price as the market maker. This creates an unfair advantage to the ECNs and does not support the policies of best execution and transparency in markets that the NASD and SEC consistently promote. In contrast, the current Rule 6540(c) enforces the principles that the pricing of securities in the OTCBB wholesale market should be transparent and equivalent for best execution

Hudson wholeheartedly concurs with the statements made by Cromwell Coulson of the Pink Sheets in his letter dated January 24, 2006. Mr. Coulson stated, "ECNs exploited this unfair regulatory advantage to charge large fees of their market making competitors, which fees were used in part to reduce fees charged of ECN customers. By this device, orders of ECN customers were subsidized by access fees levied on ECN competitors. ECNs that relied on this business model received more orders from customers than warranted by the quality of their service or competitive pricing."

Hudson is against the introduction of undisplayed access fees as it will inequitably increase transaction costs in the OTCBB equity market, and decrease market maker participation. The proposed rule creates an arbitrary and unjustifiable advantage for ECNs by giving them the misleading appearance of parity with market makers, when in fact they are providing inferior pricing. We respectfully urge the commission to reject the proposed rule.

Respectfully submitted,



Randy Hechler

Director of Compliance