

December 21, 2006

VIA ELECTRONIC MAIL

Nancy M. Morris
Secretary
Securities and Exchange Commission
Station Place, 100 F Street, NE.
Washington, DC 20549-1090

Re: *Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Change and Amendment Nos. 1 and 2 Relating to Amendments to Rule 2320(g) (Three Quote Rule) and Corresponding Recordkeeping Requirements under Rule 3110(b), SR-NASD-2004-130 (October 31, 2006)*

Dear Ms Morris:

TD AMERITRADE, Inc.¹ (“TD AMERITRADE” or “the Firm”) appreciates the opportunity to comment on the proposal by the NASD to amend Rule 2320(g) (“Three Quote Rule”) and corresponding recordkeeping requirements. TD AMERITRADE fully supports NASD’s proposal to exclude securities of foreign issuers that are part of the FTSE All-World Index from the requirements of the Three Quote Rule. The Firm, however, respectfully opposes NASD’s proposal to withdraw its 1998 exemption from the Three Quote Rule provided to Canadian securities traded on an exchange. TD AMERITRADE believes that the withdrawal of the exemption may cause harm to investors by unnecessarily delaying executions in Canadian securities possibly resulting in inferior executions.

TD AMERITRADE supports the idea that foreign securities that trade with a high degree of liquidity, consistency and price transparency should be excluded from the requirements of the Three Quote Rule, which in general imposes a duty on brokers that execute transactions in non-exchange-listed securities on behalf of clients to contact a minimum of three dealers and obtain quotations.² We agree with NASD that the Three Quote Rule often can hinder best execution by causing significant delays in obtaining executions of client orders. The delay may result in clients receiving prices significantly away from the price they were quoted when the order was submitted.

Although TD AMERITRADE’s clients generally trade U.S. equities, the Firm does handle a significant amount of client orders for Canadian securities. During November 2006, TD AMERITRADE clients placed approximately 29,000 trades for Canadian securities. The Firm handled these orders by routing them electronically to Canadian broker-dealers, which executed the orders on Canadian

¹ TD AMERITRADE is a wholly owned broker-dealer subsidiary of TD AMERITRADE Holding Corporation (“TD AMERITRADE Holding”). TD AMERITRADE Holding has a 30-year history of providing financial services to self-directed investors. TD AMERITRADE Holding’s wholly owned broker-dealer subsidiary, TD AMERITRADE serves an investor base comprised of over 6.0 million client accounts.

² The Firm does not take a position on whether the list of securities used in the FTSE All World Index is the correct indicator of whether a security trades with sufficient liquidity, consistency and price transparency to support an exclusion from the Three Quote Rule.

Ms. Nancy M. Norris

December 21, 2006

Page 2

exchanges. It has been the Firm's experience that this routing strategy results in quality executions for clients. In this way, TD AMERITRADE relies heavily upon the exemption for Canadian securities in seeking best execution for its clients trading such securities.

If the Securities and Exchange Commission ("Commission" or "SEC") approves NASD's withdrawal of its exemption for Canadian securities executed on exchanges, TD AMERITRADE understands that the Canadian brokers will likely incur delays in executing orders while complying with the Three Quote Rule. Such delays may result in prices significantly away from the price a client was quoted. This would be a significant step backward, possibly impacting the trust and confidence of U.S. investors trading Canadian securities. Given that this exemption has been in place for 8 years and used for the benefit of investors, the Commission, at the very least, should require NASD to provide empirical support for why the exemption is no longer appropriate. TD AMERITRADE submits that investors are much better off with the exemption in place, than without it. In fact, the Firm would support specifically excluding Canadian securities executed on an exchange from Rule 2320(g) as part of this rulemaking.

In conclusion, TD AMERITRADE fully supports NASD's efforts to ensure that its rules do not impede broker-dealers efforts to seek best execution. In this regard, the Firm supports excluding certain liquid foreign securities from the requirements of the Three Quote Rule. TD AMERITRADE, however, believes it is not appropriate to withdraw the current exemption for Canadian securities, as the Firm relies upon the exemption in seeking best execution for its clients.

TD AMERITRADE appreciates the opportunity to comment. Please contact me at 402/970-7007 or Christopher Nagy at 402/970-5656 if you have any questions regarding our comments.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Bryce Engel". The signature is fluid and cursive, with the first name "Bryce" and the last name "Engel" clearly distinguishable.

Bryce Engel
Chief Brokerage Operations Officer

cc: Erik R. Sirri, Director, Division of Market Regulation, SEC
Robert L.D. Colby, Deputy Director, Division of Market Regulation, SEC
Thomas R. Gira, Executive Vice President and Deputy, NASD
Stephanie Dumont, Vice President and Associate General Counsel, NASD