



WEDBUSH MORGAN SECURITIES

Investment Bankers for Entrepreneurs™

February 7, 2007

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

Re: File #: SR-NASDAQ-2006-061

Dear Ms. Morris:

Wedbush Morgan Securities, Inc. ("Wedbush") appreciates the opportunity to comment on The Nasdaq Stock Market LLC ("Nasdaq") recent rule change filed with the Securities and Exchange Commission ("Commission") on January 8, 2007. Wedbush has served the investment community for over 50 years, and is a member of Nasdaq and a long standing member of the National Association of Securities Dealers ("NASD").

Overview

Wedbush, has no issues with the spirit of the rule, and offers several minor changes in wording. However, we note the Interpretive Material goes far beyond the scope of the rule. WMS and other broker dealers are very concerned about complying with the rules of the exchanges and regulatory agencies. The rules must be written clearly and be comprehensive in order for us to do so. The Interpretive Material should only provide an expanded explanation on the actual rule, not become a new rule within itself. This interpretation also quotes an NASD rule that is suffering from the same ailment; NASD Rule 3010 needs expansion in order to be appropriately referred to as it is in this case.

Rule 4611

The new addition to this rule specifically allows members to sponsor access to the exchange to non-member firms and customers ("Customers"). This access can be achieved through the member's order management system or directly. The rule states the member will be responsible for making sure the sponsored activity complies with Rule 4611 and that direct access Customers sign NASDAQ's access agreement. We suggest two changes to 4611(d)(2) "... obligations in Rule 4611 with respect to ~~any~~ activity conducted by a Sponsored Firm when using a market...."

The Interpretive Material goes far beyond the rule. In it, the member must supervise not only compliance with Rule 4611, but also with all Nasdaq rules and procedures and federal securities laws and rules. It goes on to refer the reader to six specific rules (only

one of which we have issue with). One of those rules is NASD 3010-the need to supervise and have written procedures.

Rule 3010

This rule is in dire need of updating. The NASD has historically referred to it when requiring a firm to supervise and have written procedures for any business. But it is written very specifically to the supervision of the firms registered persons. The opening sentence says a member is required to "...supervise the activities of each registered representative, registered principal and other associated person..." You cannot go further into the subsets of the rule if your business is outside of that group. And if you did, where do you stop making assumptions as to which part of the rule applies to the business in question.

Our industry suffers from rules that are not being updated as our markets and products expand or the rules have been written in a vague manner. Further, rules have been written by one generation of regulators living in one environment, but are being interpreted daily by a new generation of field examiners who do not know under what conditions they were originally written. The regulators are writing interpretations that seem to go far beyond what the rule intended. When this happens, we suggest, that the actual rule be updated. Rule 3010 is a good example of one in need of updating. Rule 4611, if the Interpretive Material is accurate, is too vague in its present state.

Interpretive Material

If it is said that the Interpretive Material is always to be considered part of the rule, we have the following concerns:

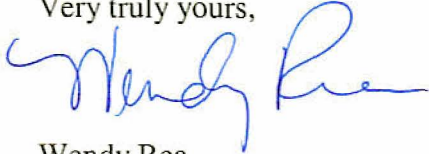
1. The sponsoring member should be allowed to allocate responsibilities to the sponsoring firm if that firm is already subject to those laws or similar rules.
2. In section (1) we offer that language be added ...have a continuing obligation to comply with applicable Nasdaq rules and procedures and applicable federal law...
3. Under section (3) page 5, and throughout the material, reference to rule 3010 should be deleted, as this rule is specific to employees of the member.
4. In section (3) we are concerned about the use of "ensure". No one can ensure that orders are not entered in error. We suggest adding "reasonably" before "ensure".
5. Under section (3)(a) we would like to see "reasonable" added in the first sentence before "controls".
6. Under section (3)(b), we would suggest "reasonable" be added at the beginning of the sentence prior to "Safeguards".

Wedbush has no issue with the need to perform reasonable supervision over business it sponsors to an exchange of which it is a member. We seek **rules** that will guide us in appropriately identifying what activity should be supervised and to what extent.

We request that this amendment to Rule 4611 be clarified to match the Interpretive Material, or the Interpretive Material needs to be totally re-written to complement Rule 4611.

In summary, Wedbush is in support of new rules that protect the integrity of the marketplace and the securities industry at large. These same rules protect Wedbush and its clients and correspondents. Consequently, Wedbush is extremely interested in maintaining the integrity and care of how these rules are written, interpreted and disseminated. Further, we feel as though only through the proper use of these rules, the appropriate application thereof, and the thorough vetting of new rules can the industry benefit from the protections these rules offer. To that end, Wedbush requests that the Commission consider the above arguments and deny Nasdaq's rule filing in its current form.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Wendy Rea", with a stylized, flowing script.

Wendy Rea
Senior Vice President