



July 18, 2007

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2001

Re: **Comments to SEC Release 34-55937**
File No. SR-NASDAQ-2007-001

Dear Ms. Morris:

Pink Sheets LLC (“Pink Sheets”) respectfully submits the following comments on the amendment proposed by The NASDAQ Stock Market LLC (“NASDAQ”) to NASDAQ Rule 11890. 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, electronic quotation and trade negotiation service for OTC equities and bonds used by over 200 market makers and other broker-dealers registered under the Securities Exchange Act of 1934 (the “Exchange Act”).

In Release 34-55937, the Securities and Exchange Commission (the SEC” or the “Commission”) provides notice of the NASDAQ’s proposal to amend its Rule 11890 regarding clearly erroneous transactions. If approved NASDAQ will gain the clear authority to review and reverse transactions that it finds results from orders that: 1) were submitted by a person that was not authorized to submit that order into NASDAQ; or 2) originate from an account used for the purpose of effecting a manipulation of the market for such security. With this additional authority, NASDAQ hopes to stymie the efforts of criminals that hijack customer accounts and use those accounts to engage in pump-and-dump schemes.

We believe that the SEC should approve the proposed amendment and we would like to see similar authority in NASD Rule 11890. NASDAQ Rule 11890 applies only to transactions arising out of the use or operation of any execution or communication system owned and



operated by NASDAQ and approved by the Commission. We see this as covering at most NMS securities, and not covering OTC Equity Securities,¹ particularly non-exchange-listed securities.²

Our concern here is that these schemes involve more than NMS securities and already occur with OTC Equity Securities. Our informal observation leads us to believe that certain securities quoted on both the Pink Sheets and the OTC Bulletin Board are already subject to frequent spamming campaigns, which indicate to us that customer account hijackings have occurred and pump-and-dump schemes are underway. Even if such activity is not in conjunction with a hijacked customer account, it is manipulative activity in which the trades should be cancelled.

Furthermore, to expand the authority to cover only NMS securities, the criminals involved with these schemes will surely migrate to other securities where NASDAQ is powerless. The NASD operates under NASD Rule 11890 and not Nasdaq Rule 11890 so we foresee criminals using OTC Equity Securities with greater frequency as their efforts are stymied by NASDAQ. Without also clearly empowering the NASD, OTC Equity Securities will increasingly become the playground for criminals to hijack customer accounts and engage in pump-and-dump schemes and other manipulations.

We look forward to discussing this further with the staff of the Division of Market Regulation. In the meantime if you or anyone else on the SEC staff wishes to discuss this in greater depth, please don't hesitate to call.

Very truly yours,

/s/ MICHAEL T. DORSEY

Michael T. Dorsey, Esq.
Managing Director, Trading Services & Compliance

¹ The term "OTC Equity Securities" is defined in NASD Rule 6610(d) to mean all non-exchange listed securities and certain exchange listed securities that do not otherwise qualify for real-time trade reporting.

² The term "non-exchange-listed securities" is defined in Rule 6610(c) to include any equity security that is not traded on any national securities exchange, but excludes "restricted securities" as defined by SEC Rule 144(a)(3) under the Securities Act of 1933, and any securities designated in the PORTAL Market, the Rule 6700 Series.