WEDBUSH

August 19, 2010

By Electronic Mail (rule-comments@sec.gov)

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: NASDAQ Fees Assessed for Supplemental MPIDs
Release No. 34-62564; SR-NASDAQ-2010-089

Dear Ms. Murphy,

Wedbush Securities Inc. ("Wedbush") appreciates the opportunity to comment on the recent NASDAQ Stock Market LLC ("NASDAQ") proposed rule change on "Fees Assessed for Supplemental Market Participant Identifiers ("MPIDs")" ("Proposed Rule"). Wedbush is a leading provider of clearing services and sponsored access solutions for registered broker-dealers and non-registered entities. As a top liquidity and volume provider[1] to NASDAQ, we are in a unique and highly qualified position to comment on the Proposed Rule changes.

Generally, we support the idea that NASDAQ should be able to set rate schedules and charge for services as it sees fit with respect to its business. However, this proposed fee is outsized relative to other Exchanges and not in the public's best interest.

1. Proposed Fee is Outsized Relative to Other Exchanges

In the proposed rule change, NASDAQ compares its proposed schedule to that of the New York Stock Exchange ("NYSE") in an effort to show, "…NASDAQ fees are significantly less than the analogous fees of NYSE." This is not an apples to apples comparison. Our firm currently has 84 unique

[1] NASDAQ Trader Website, #1 Liquidity Provider for NASDAQ or NYSE Securities for June 2010.

MPIDs with NASDAQ and we are members of the NYSE. Under the Proposed Rule we would pay the following:

NASDAQ Annual Membership Fee	$3,000 / year
NASDAQ Trading Rights Fee	$500 / month
MPID Surcharge	$84,000 / month
Annual Costs:	**$1,017,000**

By contrast the fees for comparable services on other Exchanges are as follows:

BATS Exchange	$0 / year
NYSEArca Exchange	$0 / year
DirectEdge Exchange	$0 / year

NYSE fees are simply $40,000 per year for the trading license with no incremental charges for MPIDs. On the other comparable electronic venues, NYSEArca, BATS Exchange, and DirectEdge, there are no annual charges for membership, trading rights, or MPIDs.

The true motivation behind this rule change is found on page four of the Proposed Rule, "NASDAQ anticipates, however, that the proposed fees may provide NASDAQ with a profit." Our business alone will contribute over $1,000,000 per year if this Proposed Rule is approved.

2. Against the Public's Interest

NASDAQ asserts that the Proposed Rule will, "benefit the markets and investors because such a fee will promote efficiency in MPID use." By implementing a significant monthly fee for each MPID, NASDAQ is effectively incentivizing firms to aggregate business under a single MPID. This aggregation is contradictory to the overall goals of enhanced market transparency and will create a more difficult environment for auditors and regulators.

We think NASDAQ should be encouraging the use of segregated MPIDs for affiliates, segregated business units, trading desks, and sponsored access firms[2]. In fact, in NASDAQ's March 26th, 2010 comment letter on proposed SEC Rule 15c3-5 they make the following points:

> **A.** *"Requiring Each Sponsored Participant to Use a Unique Market Participant Identifier ("MPID") Will Improve Regulation."*
>
> **B.** *"Shared MPIDs hinder effective regulation."*
>
> **C.** *"The MPID is to securities regulation what DNA or fingerprints are to forensic investigations."*

[2] See Wedbush comment letter on SEC Proposed Rule 15c3-5 – Section 6 "Summary"

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> ***D.*** *"Sponsoring members could also use individual MPIDs to perform more effective pre-trade risk management."*

NASDAQ clearly believes that the use of segregated MPIDs is a benefit to regulators and therefore the public. NASDAQ should not be able to utilize its position and significance in the marketplace to implement charges that are so clearly against the public interest.

NASDAQ argues that firms like Wedbush could decide not to use NASDAQ and, "easily re-direct order flow away from a trading venue should they determine that the venue's fees are set too high." NASDAQ has at least 20% of the U.S. equity market share and routing away from that venue would greatly complicate the best execution requirements that broker-dealers have.

3. Summary

The challenges and difficulties faced by the industry and regulators during the past two years and most notably on May 6th, 2010 highlight the need for greater transparency in the equities markets. NASDAQ's Proposed Rule will not help transparency and will, in fact, "hinder effective regulation".

The costs of managing the MPID system cannot possibly equal the amount that NASDAQ seeks to charge under this Proposed Rule. While there may be no requirement that NASDAQ modify or reduce charges based on this logic alone, we hope that they will recognize their role in the overall market structure and not set us back from our current objective to improve market transparency. We encourage the SEC to deny this Proposed Rule and encourage NASDAQ to return with a more right-sized fee to compensate NASDAQ for the important service they provide the industry.

We appreciate the opportunity to present our views on the above referenced matter and welcome a more in-depth discussion on any of the topics above or other issues related to market access.

Sincerely,

Jeff Bell
Executive Vice President
Wedbush Securities Inc.