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**VIA ELECTRONIC MAIL  
AND FEDERAL EXPRESS**

Ms. Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**RE: SR-NSX-2006-03  
National Stock Exchange's Response to Council of Institutional Investors**

Dear Ms. Morris:

On behalf of the National Stock Exchange (the "Exchange" or "NSX"), I am writing in response to the comment letter submitted by the Council of Institutional Investors ("Council"). In its comment letter, the Council believes that there is an "inherent and untenable conflict of interest when ... [an exchange] ... is responsible not only for running an efficient and effective marketplace but also for regulating its customers and protecting the investing public."

We believe that the Council's comments were directed to the demutualization of exchanges in general, rather than to NSX's demutualization specifically. We based this belief on the fact that the Exchange's current organizational structure has already addressed the Council's recommendation concerning separation of the Exchange's regulatory functions from its business functions. We also note the Exchange's statements in the instant filing that SR-NSX-2006-03 will not disturb the structural provisions that were put in place by the Exchange in 2005.

As the Commission is aware, the Exchange adopted structural provisions to ensure that its regulatory function would be independent from the commercial interests of the Exchange and its members. As part of the structural provisions, the Exchange filed SR-NSX-2005-06 wherein the Exchange created a Regulatory Oversight Committee ("ROC" or the "Committee") of its Board of Directors ("Board") and charged it with the responsibility to, *inter alia*, (i) oversee all of the Exchange's regulatory functions and responsibilities, including monitoring the design, implementation and effectiveness of the Exchange's regulatory programs and (ii) recommend an adequate operating budget for the Exchange's regulatory functions. The Exchange also created the position of Chief Regulatory Officer ("CRO") with primary executive responsibility for the regulatory functions of the Exchange. The CRO reports directly to the ROC, and not to the Chief Executive Officer ("CEO") of the Exchange.

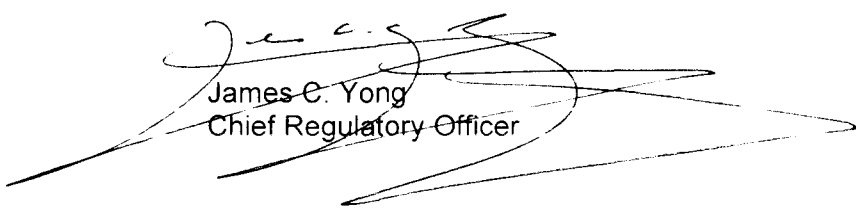
With the adoption of the Exchange's current regulatory structure, the CEO of the Exchange does not have any direct or indirect supervisory responsibility for (i) the role or the function of the ROC or the CRO, (ii) NSX's regulatory functions, (iii) the creation or the implementation of the budget for NSX's regulatory functions, or (iv) NSX regulatory personnel matters. Under this structure, subject to any necessary NSX Board review or approval, the CRO, in conjunction with the ROC, makes all final regulatory determinations on behalf of the Exchange. Thus, the substance of the structural protections advanced in the Council's comment letter was already in place at the Exchange *prior to* the proposal for demutualization. The Exchange will continue to have these structural protections in place after its demutualization.

The Council's second recommendation – that listing standard requirements should be a regulatory, rather than an exchange responsibility – has also been addressed by the Exchange, both historically and confirmed again as part of its structural protections separating the regulatory functions from the business interests of the Exchange. Listing standards and issuers' compliance with listing standards have always been the purview of the Exchange's Regulatory Services Division. In setting up the current regulatory structure, the Exchange staff reminded the Board that the review and approval of initial listing applications, as well as the review of a listed company's compliance with continuing listing standards, are regulatory functions and should remain regulatory functions under the structural protections. The Board agreed that these functions are and should remain part of the Regulatory Services Division's mandate. Again, the issue raised by the Council is a "non-issue" for the Exchange, since the Council's recommendation has already been implemented by the Exchange.

We understand the Council's recommendations stem from its concern that adequate rules and procedural safeguards are needed to protect investors. The National Stock Exchange shares that belief and had already instituted adequate rules and structural protections for the public investor prior to its rule change proposal to demutualize. In the instant filing, the Exchange represented that the structural protections that it currently employs would not be disturbed by the instant filing.

We appreciate the opportunity to comment and would be glad to provide any additional information upon request.

Very truly yours,



James C. Yong  
Chief Regulatory Officer