

I would like to explain why the extension of that relief is required. While we hoped to complete systems integration by the end of 2006, there were some obstacles to meeting this target. For example, we are rapidly approaching the date when firms lock down their systems for the year. We must ensure that sufficient time is allowed for firms to make and test system changes in order to allow for a smooth implementation of Single Book for non-NASDAQ listed securities. We also must ensure that there is sufficient time to make and test changes to downstream regulatory systems. Because there was not sufficient time to complete systems integration for non-NASDAQ listed securities prior to the firm system lock-down date in mid-December, we announced a target date of mid-January 2007 for commencing the integration. (See Head Trader Alert 2006-028, available at <http://www.nasdaqtrader.com/Trader/News/headtraderalerts/hta2006-208.stm>.)

SIFMA has requested that the relief be extended beyond the date when completion of NASDAQ systems integration is complete in order to allow firms a relatively short period of time to modify and test any necessary system changes following the completion of the integration. We agree with SIFMA that extension of the no-action relief for this additional limited period of time will not frustrate the purposes of SEC Rules 17a-3, 17a-25, and 17a-5.

Also, in a letter dated August 4, 2006, NASDAQ stated that broker-dealers may rely on NASDAQ to access and obtain information concerning whether a security is an exchange-listed security and whether a broker-dealer is a NASD or NASDAQ member, should it be required for the purpose of regulatory examinations in the future, until the end of the no-action relief period on December 31, 2006. NASDAQ proposes to extend this reliance until a date that is sixty days after the date the NASDAQ Exchange begins operation as an exchange for non-NASDAQ exchange-listed securities and completes the integration of its systems to the Single Book execution system platform for those securities. As a result, broker-dealers may rely on NASDAQ to access and obtain information to identify that a transaction is effected on an OTC market or an exchange market, that a security is an OTC security or an exchange-listed security, and/or that a broker-dealer is a member of NASD or NASDAQ, until the end of the relevant no-action relief period.

If you have any questions about this request, please contact me at 301.978.8265.

Sincerely,



Mary Revell
Associate Vice President