

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53536; File No. SR-NASD-2006-026)

March 21, 2006

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Establishing CTCI Station-Based Pricing for Members

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 22, 2006, the National Association of Securities Dealers, Inc. (“NASD”), through its subsidiary, The Nasdaq Stock Market, Inc. (“Nasdaq”), filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. Nasdaq filed Amendment No. 1 to the proposed rule change on March 10, 2006.³ Nasdaq has designated this proposal as establishing or changing a due, fee, or other charge of a self-regulatory organization, pursuant to Section 19(b)(3)(A)(ii) of the Act,⁴ and Rule 19b-4(f)(2) thereunder,⁵ which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ For purposes of calculating the 60-day abrogation period, the Commission considers the period to have commenced on March 10, 2006, the date Nasdaq filed Amendment No. 1.

⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

⁵ 17 CFR 240.19b-4(f)(2).

Nasdaq proposes to modify fees for Nasdaq access through the Computer to Computer Interface (“CTCI”) protocol.⁶ The text of the proposed rule change is below.

Proposed new language is underlined; proposed deletions are in brackets.⁷

Rule 7010. System Services

(a) – (e) **No Change**

(f)(1) – (2) **No Change**

(3) [Computer to computer interface (CTCI) and] Financial Information Exchange (FIX)

Options	Price
[Option 1: Dual 56kb lines (one for redundancy) single hub and router, and optional single FIX port.]	[\$1275/month]
[Option 2: Dual 56kb lines (one for redundancy), dual hubs (one for redundancy), and dual routers (one for redundancy), and optional single FIX port.]	[\$1600/month]
[Option 3: Dual T1 lines (one for redundancy), dual hubs (one for redundancy), dual routers (one for redundancy), and optional	[\$8000/month (CTCI or CTCI/FIX lines) \$4000/month (FIX-only lines)]

⁶ The instant proposed rule change establishes fees for NASD members. The identical fees for non-members were established in SR-NASD-2006-027. See Securities Exchange Act Release No. 53535 (March 21, 2006).

⁷ Changes are marked to the rule text that appears in the electronic NASD Manual found at www.nasd.com. Prior to the date when The NASDAQ Stock Market LLC (“NASDAQ LLC”) commences operations, NASDAQ LLC will file a conforming change to the rules of NASDAQ LLC approved in Securities Exchange Act Release No. 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006)(File No. 10-131).

single FIX port. Includes base bandwidth of 128kb.]	
FIX Trading Port (NMC and Brut)	\$400/port/month
FIX Port for Services Other than Trading	\$500/port/month
Dedicated FIX server	\$1,000/server/month
Dedicated FIX server (Brut)	\$3,000/server/month; initial term of not less than 12 months is required
[Option 1, 2, or 3 with Message Queue software enhancement]	[Fee for Option 1, 2, or 3 (including any Bandwidth Enhancement Fee) plus 20%]
[Disaster Recovery Option: Single 56kb line with single hub and router and optional single FIX port. (For remote disaster recovery sites only.)]	[\$975/month]
[Bandwidth Enhancement Fee (for T1 subscribers only)]	[\$600/month per 64kb increase above 128kb T1 base]
[Installation Fee]	[\$2000 per site for dual hubs and routers \$1000 per site for single hub and router]
[Relocation Fee (for the movement of TCP/IP-capable lines within a single location)]	[\$1700 per relocation]

[FIX connectivity through Options 1, 2, or 3 or the Disaster Recovery Option will not be available to new subscribers that are (i) NASD members after January 1, 2004, or (ii) not NASD members after the effective date of SR-NASD-2003-196.]

(4) Computer to Computer Interface (CTCI)

The fees in the table below are applicable to NASD members that have transitioned off of Nasdaq-supported circuits, and as of July 1, 2006, also apply to NASD members that have not transitioned.

Stations

<u>Fee Component</u>	<u>Fee</u>
<u>1st Station</u>	<u>\$200/Station/month</u>
<u>Each Additional Station</u>	<u>\$600/Station/month</u>

The bandwidth-based fees in the table below apply to NASD members that have not transitioned off of Nasdaq-supported circuits, and, pending approval of SR-NASD-2006-027, to non-members as indicated.

Bandwidth

<u>Fee Component</u>	<u>Fee</u>
<u>Single 56kb line with single hub and router (for remote disaster recovery sites only)</u>	<u>\$900/month for members</u> <u>\$975/month for non-members</u>
<u>Option 1</u>	
<u>Dual 56kb lines (one for redundancy) and single hub and router</u>	<u>\$1,000/month for members</u> <u>\$1,275/month for non-members</u>
<u>Option 2</u>	
<u>Dual 56kb lines (one for redundancy), dual hubs (one for redundancy), and dual router (one for redundancy)</u>	<u>\$1,200/month for members</u> <u>\$1,600/month for non-members</u>
<u>Option 3</u>	
<u>Dual T1 lines (one for redundancy), dual hubs (one for redundancy), and dual routers (one for redundancy). Includes base bandwidth of 128kb</u>	<u>\$2,500/month for members</u> <u>\$8,000/month for non-members</u>
<u>Bandwidth Enhancement Fee (for T1 subscribers only)</u>	
<u>Per 64kb increase above 128kb T1 base</u>	<u>\$200/month for</u>

	<u>members</u> <u>\$600/month for non-members</u>
<u>Option 1, 2, or 3 with Message Queue software enhancement</u>	<u>Fee for Option 1, 2, or 3 (including any Bandwidth Enhancement Fee) plus 20%</u>
<u>Installation Fee</u>	<u>\$2,000 per site for dual hubs and routers</u> <u>\$1,000 per site for single hub and router</u>
<u>Relocation Fee (for the movement of TCP/IP-capable lines within a single location)</u>	<u>\$1,700 per relocation</u>

[(4)] (5) New Nasdaq Workstation

(g) – (w) **No Change**

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II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, Nasdaq included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Nasdaq is modifying fees for member access to Nasdaq through the CTCI

protocol. Through the implementation of FIX and QIX and the sunset of the SDP/API, Nasdaq has continued towards its goal of allowing firms and service bureaus to choose their own circuit connectivity provider for access to Nasdaq's products and services. CTCI is the only remaining Nasdaq protocol that requires the firm to choose a Nasdaq-provided circuit for connectivity. In order for Nasdaq to complete its strategy, Nasdaq seeks to modify the CTCI pricing structure in order to transition from circuit-based fee components based on bandwidth to "Station" fee components that are more synonymous with logical access ports.

CTCI Stations are logical channels used to manage the flow of data to and from the firm user. Stations are synonymous with the logical access ports used for FIX and QIX as they have the same characteristics, including a one-to-one relationship between the firm and Station and throughput limits. For this reason, Nasdaq chose a Station-based fee component for its new pricing. In order to facilitate the transition, Nasdaq seeks to modify the current bandwidth based fees to Nasdaq's circuit cost imposed by its carrier plus an administration cost. Firms that decide not to transition off of Nasdaq supported circuits will pay the new bandwidth-based fees in addition to Station fees.

Nasdaq expects almost all firms to transition to new circuit connections but that the transition date will be different for each firm. As a result, Nasdaq intends to implement the new pricing structure once a firm has transitioned to a different circuit connection. However, the new pricing will be applied to all firms on July 1, 2006 regardless of the firm's transition plan. Thus, a firm that transitions will pay only the station fee. A firm that does not transition will pay only the bandwidth fee prior to July 1, but will pay both the station and the bandwidth fee between July 1 and the date when it

does transition.

2. Statutory Basis

Nasdaq believes the proposed rule change is consistent with the provisions of Section 15A of the Act,⁸ in general, and Sections 15A(b)(5)⁹ of the Act, in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system which the NASD operates or controls. The proposed rule change will modify the current CTCI pricing structure in order to transition from circuit-based fee components based on bandwidth to “Station” fee components that are more synonymous with logical access ports.

B. Self-Regulatory Organization's Statement on Burden on Competition

Nasdaq does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁰ and subparagraph (f)(2) of Rule 19b-4 thereunder,¹¹ because

⁸ 15 U.S.C. 78o-3.

⁹ 15 U.S.C. 78o-3(b)(5).

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

¹¹ 17 CFR 240.19b-4(f)(2).

it establishes or changes a due, fee, or other charge imposed by NASD. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2006-026 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number NASD-2006-026. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing also will be available for inspection and copying at the principal offices of NASD. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number NASD-2006-026 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Nancy M. Morris
Secretary

¹² 17 CFR 200.30-3(a)(12).