

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57212; File No. SR-NASDAQ-2008-004)

January 28, 2008

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change Related to Supplemental Market Participant Identifiers

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4² thereunder, notice is hereby given that on January 9, 2008, The NASDAQ Stock Market LLC (“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 substantially prepared by Nasdaq. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Nasdaq proposes to make permanent the pilot program that allows market makers and Electronic Communications Networks (“ECNs”) to obtain supplemental market participant identifiers (“MPIDs”). Nasdaq also proposes to remove any restrictions on the number of MPIDs market participants can request. The text of the proposed rule change is available at Nasdaq, the Commission’s Public Reference Room and nasdaq.complinet.com.

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. 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

1. Purpose

Nasdaq proposes to make permanent the pilot program incorporated in Nasdaq Rule 4613(a)(2) (“Rule”) that allows market makers and ECNs to obtain supplemental MPIDs. The pilot inadvertently was permitted to lapse on November 30, 2006. The Rule has operated as a temporary pilot since it was first adopted in June 2003 and although the pilot lapsed, Nasdaq continued to apply the procedures set forth in the Rule and the related interpretive material.³ The purpose of providing supplemental MPIDs is to provide quoting market participants a better ability to organize and manage diverse order flows from their customers and to route orders and quotes to Nasdaq’s listed trading facilities from different units/desks. To the extent that this flexibility provides increased incentives to provide liquidity to Nasdaq systems, Nasdaq believes that all market participants benefit. Because the Rule has benefited market makers and ECNs and has not had any negative impact on the Nasdaq market in the more than four years that it has been in place, Nasdaq believes the Rule should become permanent.

Nasdaq also proposes to remove the current restriction in the Rule that limits the number of supplemental MPIDs that market makers and ECNs can request for displaying attributable quotes or orders. In accordance with the pilot program, market makers and ECNs may be issued a maximum of nine supplemental MPIDs. The reason for this restriction was a technological limitation that existed at the time the Rule was adopted, but this limitation no longer exists. Therefore, Nasdaq proposes to remove the restriction.

In addition, Nasdaq proposes to remove IM-4613, which sets forth the procedures for

³ See Securities Exchange Act Release No. 47954 (May 30, 2003), 68 FR 34017 (June 6, 2003). See also IM-4613 – Procedures for Allocation of Second Displayable MPIDs.

allocating supplemental MPIDs. The removal of Nasdaq's technological limitation on the number of MPIDs for a given security makes the procedures unnecessary.

The decision to remove any restriction on the number of supplemental MPIDs must be balanced against the need to protect the integrity of the Nasdaq market. Accordingly, market makers and ECNs would be prohibited from using a supplemental MPID to accomplish indirectly what they are prohibited from doing directly through a single MPID. For example, members would not be permitted to use a supplemental MPID to avoid their Manning obligations under IM-2110-2, best execution obligations under Nasdaq Rule 2320, or their obligations under the Commission's Order Handling Rules. Members would be required to continue to comply with the firm quote rule, the OATS rules, and the Commission's order routing and execution quality disclosure rules.

If it were determined that a supplemental MPID was being used improperly, Nasdaq would withdraw its grant of the supplemental MPID for all purposes for all securities. In addition, if a market maker or ECN were no longer to fulfill the conditions appurtenant to its primary MPID (e.g., by being placed into an unexcused withdrawal), it would not be permitted to use any supplemental MPID for any purpose in that security.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6(b) of the Act,⁴ in general and with Section 6(b)(5) of the Act,⁵ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. There no longer remains any market or technological need to restrict the number of MPIDs market participants can request.

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.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve such proposed rule change or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

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-NASDAQ-2008-004 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 SR-NASDAQ-2008-004. 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 at (<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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of Nasdaq. 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 SR-NASDAQ-2008-004 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶

Florence E. Harmon
Deputy Secretary

⁶ 17 CFR 200.30-3(a)(12).