

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-53535; File No. SR-NASD-2006-027)

March 21, 2006

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment Nos. 1 and 2 Thereto Establishing CTCI Station-Based Pricing for Non-Members

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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 and II below, which Items have been prepared by Nasdaq. Nasdaq filed Amendment No. 1 on March 10, 2006, and Amendment No. 2 on March 14, 2006. The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment Nos. 1 and 2, from interested persons, and simultaneously granting accelerated approval of the proposed rule change, as amended.

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

Nasdaq proposes to modify fees for Nasdaq access through the Computer to Computer Interface (“CTCI”) protocol for non-members. The text of the proposed rule

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

change is below. Proposed new language is underlined; proposed deletions are in brackets.<sup>3</sup>

Rule 7010. System Services

(a) – (e) **No Change**

(f)(1) – (3) **No Change**

(4) Computer to Computer Interface (CTCI)

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

Stations

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

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

Bandwidth

<b>Fee Component</b>	<b>Fee</b>
Single 56kb line with single hub and router (for remote disaster recovery sites only)	\$900/month [for members \$975/month for non-members]

<sup>3</sup> Changes are marked to the rule text that appears in the electronic NASD Manual found at [www.nasdaq.com](http://www.nasdaq.com), as amended on an immediately effective basis by SR-NASD-2006-026. See footnote 3 *supra*. 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).

<b><i>Option 1</i></b>	
Dual 56kb lines (one for redundancy) and single hub and router	\$1,000/month [for members]  \$1,275/month for non-members]
<b><i>Option 2</i></b>	
Dual 56kb lines (one for redundancy), dual hubs (one for redundancy), and dual router (one for redundancy)	\$1,200/month [for members] \$1,600/month for non-members]
<b><i>Option 3</i></b>	
Dual T1 lines (one for redundancy), dual hubs (one for redundancy), and dual routers (one for redundancy). Includes base bandwidth of 128kb	\$2,500/month [for members]  \$8,000/month for non-members]
<b>Bandwidth Enhancement Fee (for T1 subscribers only)</b>	
Per 64kb increase above 128kb T1 base	\$200/month [for members]  \$600/month for non-members]
<b>Option 1, 2, or 3 with Message Queue software enhancement</b>	Fee for Option 1, 2, or 3 (including any Bandwidth Enhancement Fee) plus 20%
<b>Installation Fee</b>	\$2,000 per site for dual hubs and routers  \$1,000 per site for single hub and router]
<b>Relocation Fee</b> (for the movement of TCP/IP-capable lines within a single location)	\$1,700 per relocation

(5) New Nasdaq Workstation **No Change**(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. The text of these statements may be examined at the places specified in Item III 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 Change1. Purpose

On February 22, 2006, Nasdaq filed SR-NASD-2006-026, to modify fees for members to establish access to Nasdaq through the CTCI protocol (effective February 22, 2006). The instant proposed rule change will apply to non-members a pricing schedule identical to that schedule Nasdaq instituted for members in SR-NASD-2006-026.<sup>4</sup>

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

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<sup>4</sup> See Securities Exchange Act Release No. 53536 (March 21, 2006).

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 that the proposed rule change is consistent with the provisions of Section 15A of the Act,<sup>5</sup> in general, and with Section 15A(b)(5) of the Act,<sup>6</sup> in particular, in that the proposal provides for the equitable allocation of reasonable dues, fees, and

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<sup>5</sup> 15 U.S.C. 78o-3.

<sup>6</sup> 15 U.S.C. 78o-3(b)(5).

other charges among members and issuers and other persons using any facility or system which NASD operates or controls. The proposed rule change applies to non-members and 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. 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASD-2006-027 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-2006-027. 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-2006-027 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a self-regulatory organization.<sup>7</sup> Specifically, the Commission believes that the proposed rule

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<sup>7</sup> In approving the proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. See 15 U.S.C. 78c(f).

change, as amended, is consistent with Section 15A(b)(5) of the Act,<sup>8</sup> which requires that the rules of the self-regulatory organization provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facilities or system which it operates or controls.

The Commission notes that this proposal would permit the schedule for non-NASD members to mirror the schedule applicable to NASD members that became effective on February 22, 2006, pursuant to SR-NASD-2006-026.

The Commission finds good cause for approving the proposed rule change, as amended, prior to the 30<sup>th</sup> day of the date of publication of the notice thereof in the Federal Register. The proposed fees for non-NASD members are identical to those in SR-NASD-2006-026, which implemented those fees for NASD members and which became effective as of February 22, 2006. The Commission notes that the instant proposed rule change will promote consistency in Nasdaq's fee schedule by applying simultaneously the same pricing schedule for NASD members and non-NASD members alike. Therefore, the Commission finds that there is good cause, consistent with Section 19(b)(2) of the Act, to approve the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the

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<sup>8</sup> 15 U.S.C. 78q-3(b)(5).



proposed rule change, as amended (SR-NASD-2006-027), is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Nancy M. Morris  
Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).