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OFFICE OF THE SECRETARY
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June 14, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth St., N.W.
Washington, D.C. 20549-0609

Re: File No. S7-18-04 – Notice of Proposed Rulemaking Concerning Proposed Rule Changes of Self-Regulatory Organizations (“Proposing Release”)

Dear Mr. Katz:

The staff of The Nasdaq Stock Market, Inc. welcomes the opportunity to express its views on the proposed rulemaking by the Securities and Exchange Commission (“SEC” or “Commission”) concerning the electronic filing of proposed rule changes by self-regulatory organizations (“SROs”) and the posting on SRO websites of those proposed rule changes, as well as current and complete sets of their rules.¹

Nasdaq submits proposed rule changes to the Commission by the delegated authority of our parent company, National Association of Securities Dealers, Inc. (“NASD”). Nasdaq concurs with the comments filed by the NASD. Like the NASD, we support the SEC’s efforts to streamline and expedite the SRO rule filing and approval process through the use of electronic web-based technology and the posting of SROs’ current and proposed rules on their websites. In addition, Nasdaq offers the following supplemental comments:

1. Nasdaq generally supports the NASD comments on the time period required for updating of rule text in SROs’ online manuals to reflect approved or effective-upon-filing rule changes. In particular, Nasdaq supports the NASD’s suggestion that SROs should post effective-upon-filing rule changes within five business days of receipt of the SEC’s notice, but be provided with additional time to integrate these changes into the actual online manual. However, we note that in some instances an approved filing submitted pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934 (the “Act”) may take effect immediately upon,

¹ The comments provided in this letter are solely those of the Nasdaq staff; they have not been reviewed or endorsed by the Board of Governors of NASD or by the Boards of Directors of Nasdaq or NASD Regulation.

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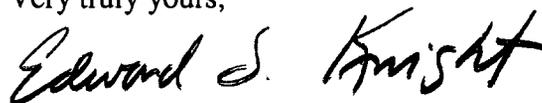
or shortly after, approval by the Commission. Accordingly, it may not be practicable to update the online manual by the effective date of the rule change. Therefore, Nasdaq believes that SROs should be required to post approved rule changes in the same manner as recommended by the NASD for effective-upon-filing changes (*i.e.*, within five business days), but be provided with additional time to integrate these changes into the online manual. Similarly, the final rule should allow flexibility for those situations where the implementation date of the rule change is in the future or to be determined.

2. Nasdaq encourages the Commission to consider streamlining Form 19b-4 to eliminate redundancies. For example, the Commission could eliminate Sections 1, 3, 4, 5, and 7, which duplicate parts of Exhibit 1.

3. Nasdaq's view is that the SEC's proposed codification of the policy against allowing pricing changes under Section 19(b)(3)(A) of the Act for non-members is inconsistent with the plain meaning of the Act, which makes no distinction between members and non-members: "a proposed rule change may take effect upon filing with the Commission if designated by the self-regulatory organization as ... (ii) establishing or changing a due, fee or other charge imposed by the self-regulatory organization...." Accordingly, Nasdaq respectfully submits that the proposed codification of the policy, and indeed the policy itself, exceed the SEC's authority under the Act.

Nasdaq thanks the Commission for the opportunity to express its views on these important issues and would be happy to provide the Commission and its staff with any additional information that would help streamline the rulemaking process.

Very truly yours,

A handwritten signature in black ink that reads "Edward S. Knight". The signature is written in a cursive, slightly slanted style.

Edward S. Knight