



THE NASDAQ STOCK MARKET
ONE LIBERTY PLAZA, 50TH FLOOR
NEW YORK, NY 10006

September 29, 2005

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

Re: **SR-NASD-2005-11**

Dear Mr. Katz:

The Nasdaq Stock Market, Inc. ("Nasdaq") appreciates this opportunity to respond to the comment submitted concerning SR-NASD-2005-11, which would limit the eligibility for quotation on the OTC Bulletin Board ("OTCBB") of the securities of an issuer that is repeatedly late in filing required periodic reports.¹ The comment letter generally supports the proposed rule change, but asks that all public companies (not just those quoted on the OTCBB) be subject to the reporting requirements and that additional limitations be placed on the trading of securities of delinquent issuers.

Nasdaq believes that it is critically important that issuers timely file their required financial reports. No information has greater value to investors than the detailed disclosures, including audited financial statements and required issuer and auditor certifications, which are contained in annual filings. While interim financial statements contained in Forms 10-Q are not audited, auditors are required to review all such filings, and these filings too are an important element of the mosaic of information which is available to investors. These views are reflected in the Sarbanes-Oxley Act of 2002, which is intended to assure the reliability of the financial information available to investors. Complete, accurate and timely corporate disclosures provide the framework against which all other on-going issuer disclosures are evaluated.

Given the importance of these periodic reports, in January 1999, Nasdaq and the NASD adopted rules that require all issuers of securities quoted on the OTCBB to be required to file periodic reports and be current in those filings with the Commission or other appropriate regulator, subject to a 30-day or 60-day grace period. Thus, the OTCBB already imposes a rule similar to the one that the commentator requests on all markets. Nasdaq also aggressively enforces the filing requirement on the Nasdaq National Market and the Nasdaq Capital Market, and issuers on those markets are immediately sent a delisting notice if a periodic report is not timely filed.

Nasdaq agrees with the commentator that other markets should take similar steps to prohibit the quotation of companies that do not make timely public filings. In fact, Nasdaq recently submitted a comment letter regarding SR-NYSE-2004-49, encouraging the NYSE to strengthen

¹ A single comment was submitted on the filing, by John Meade on September 14, 2005.

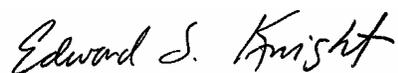
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its rules concerning delinquent filers.² Unlike what the commentator suggests, however, Nasdaq does not believe that halting the trading of the securities of delinquent issuers on the OTCBB would be an appropriate response, especially given that other marketplaces, such as the "Pink Sheets," do not require current filings. Of course, Nasdaq would support any efforts by the SEC to increase the transparency available to investors in all public marketplaces.

Nasdaq believes the proposed rule change strikes an appropriate balance, designed to increase the quality and timeliness of disclosure available to investors by OTCBB issuers and to prevent the securities of issuers that repeatedly fail to timely comply with their obligations under the securities laws from being quoted in the OTCBB, while also continuing to allow a reasonable grace period for companies that only occasionally run into unforeseen problems in making those filings in a timely manner.

Thank you again for the opportunity to respond to the comment. Please feel free to contact me at (301) 978-8480 or Arnold Golub at (301) 978-8075 if you have any additional questions.

Very truly yours,



Edward S. Knight
Executive Vice President and General Counsel

² See letter from Edward S. Knight to Jonathan G. Katz dated February 4, 2005, available at <http://www.sec.gov/rules/sro/nyse/nyse200449/esknight020405.pdf>.