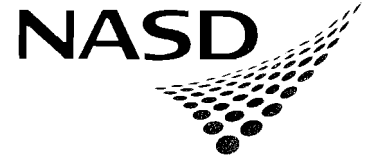


Robert R. Glauber
Chairman and Chief Executive Officer

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May 2, 2006

The Honorable Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Cox:

I am writing in response to the recent letter written to you by NYSE Group CEO John Thain. NASD wishes to clear up the confusion caused by the inaccuracies in his letter and set the record straight about our upcoming separation from The NASDAQ Stock Market. NASD as the sole registered national securities association is charged with the collection and dissemination of quotes and trade reports and the regulation of all off-exchange trading. As part of our separation agreement and The NASDAQ Exchange Registration filing, NASD will continue to meet that statutory role as the overseer of the U.S. Over-the Counter (OTC) market.

NASD's main goal is to oversee the OTC market in a way that ensures the protection of investors and the timely dissemination of market information. In meeting this mandate, we must ensure that such trades are regulated well and subject to vigorous oversight and surveillance. We are agnostic regarding the technology conduit through which such trades come to NASD. In the case of the NASD/NASDAQ Trade Reporting Facility (TRF), the trades will come to NASD via NASDAQ's technology systems. If the NYSE desires to create a TRF with NASD, an option that we have explored previously with NYSE, then trades could come to NASD via NYSE proprietary technology. We think it is appropriate for exchanges, which are now for-profit, to compete on technology and service. NASD, which remains a non-profit institution focused on regulatory activities, is concerned in this instance only about the integrity of the OTC market.

NYSE's assertions regarding The NASDAQ ACT system, or any other technology, are not relevant in any way to the TRF discussion. NASD is currently in serious discussions with a number of exchanges regarding creating TRFs on similar terms to those of the NASD/NASDAQ TRF, and we continue to invite the NYSE to enter into such conversations with us. NASD is prepared to implement a TRF with any exchange based on whatever technology the exchange has available to it. You continue to have our commitment that we will ensure that the OTC market is properly regulated and that NASD will act as an unbiased, neutral party as we hold TRF discussions with other exchanges.

Please feel free to contact me if you would like to discuss this matter.

Sincerely,

A handwritten signature in black ink that reads "Robert R. Glauber". The signature is written in a cursive, flowing style.

May 2, 2006
Page Two

cc: The Honorable Paul S. Atkins
The Honorable Cynthia A. Glassman
The Honorable Roel C. Campos
The Honorable Annette L. Nazareth
Mr. Robert Colby, Acting Director, Division of Market Regulation

The Honorable Richard Shelby, Chairman
Committee on Banking, Housing and Urban Affairs, U.S. Senate

The Honorable Paul Sarbanes, Ranking Member
Committee on Banking, Housing and Urban Affairs, U.S. Senate

The Honorable Charles Hagel, Chairman
Subcommittee on Securities and Investment, U.S. Senate

The Honorable Christopher Dodd, Ranking Member
Subcommittee on Securities and Investment, U.S. Senate

The Honorable Michael G. Oxley, Chairman
Committee on Financial Services, U.S. House of Representatives

The Honorable Barney Frank, Ranking Member
Committee on Financial Services, U.S. House of Representatives

The Honorable Richard Baker, Chairman
Subcommittee on Capital Markets, Insurance and
Government Sponsored Enterprises, U.S. House of Representatives

The Honorable, Paul Kanjorski, Ranking Member
Subcommittee on Capital Markets, Insurance and
Government Sponsored Enterprises, U.S. House of Representatives