

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54478; File No. SR-NASDAQ-2006-016)

September 21, 2006

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Order Granting Approval of Proposed Rule Change to Eliminate Registration of Foreign Associates under Nasdaq Membership Rules

On July 21, 2006, The NASDAQ Stock Market LLC (“Nasdaq”) submitted to the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to eliminate the requirement for foreign associates to register with Nasdaq. The proposed rule change was published for comment in the Federal Register on August 15, 2006.³ The Commission received no comments on the 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 that are applicable to a national securities exchange.⁴ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁵ which requires, among other things, that the rules of the Exchange are designed to prevent fraudulent and manipulative acts and practices, 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 facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 54284 (August 8, 2006), 71 FR 46954.

⁴ In approving this proposed rule change, the Commission notes that it has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁵ 15 U.S.C. 78f(b)(5).

a national market system, and, in general, to protect investors and the public interest. Nasdaq proposes to eliminate the foreign associate registration category under Nasdaq Rule 1100 and add an exemption to Nasdaq Rule 1060 for persons formerly covered by this registration category. Pursuant to Nasdaq's definition of a foreign associate, these associated persons would no be conducting any securities activities on the Nasdaq market. The Commission notes that NASD Rule 1100 requires foreign associates of NASD members to register with NASD. The Commission believes that, because many Nasdaq members are also members of NASD, requiring Nasdaq members to register its foreign associates with both self-regulatory organizations is duplicative.⁶

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (SR-NASDAQ-2006-016) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Nancy M. Morris
Secretary

⁶ The Commission notes that Nasdaq stated in its proposal that it has no reason to expect that the small number of non-NASD members that become Nasdaq members would have associated persons categorized as foreign associates.

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).