

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56204; File No. SR-NASDAQ-2007-070)

August 3, 2007

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt Certain FINRA Rules Relating to Trading Halts and Disclosure of Disciplinary Information

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 3, 2007, The NASDAQ Stock Market LLC (“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 substantially prepared by Nasdaq. Nasdaq has designated the proposed rule change as one constituting a non-controversial rule change under Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Nasdaq proposes this rule change to add several rules, based on Financial Industry Regulatory Authority, Inc. (“FINRA”) rules, that were inadvertently omitted from the Nasdaq rulebook when Nasdaq became a national securities exchange.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is available on Nasdaq's Web site at <http://www.nasdaq.com>, at Nasdaq's principal office, and at the Commission's Public Reference Room.

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 and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV 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 Change

1. Purpose

To ensure that FINRA members did not incur significant regulatory burdens as a result of Nasdaq separating from FINRA and registering as a national securities exchange, Nasdaq based its rules governing regulatory standards and disciplinary processes on FINRA rules, to a significant extent. Over the past few months, however, it has come to Nasdaq's attention that several FINRA rules that arguably should have been copied into the Nasdaq rulebook were inadvertently omitted during the exchange registration process. Nasdaq believes that adding these rules will enhance Nasdaq's regulatory programs and enhance FINRA's ability to serve as Nasdaq's regulatory services provider under NASD Regulation's regulatory services agreement with Nasdaq.⁵

⁵ Notwithstanding the fact that Nasdaq has entered into a regulatory services agreement with NASD Regulation to perform some of Nasdaq's functions, Nasdaq retains ultimate legal responsibility for, and control of, such functions.

Accordingly, Nasdaq is adding new Rule 3340, which explicitly prohibits Nasdaq members and their associated persons from trading during a trading halt. The rule is written broadly to cover effecting transactions or publishing quotations, priced bids and/or offers, unpriced indications of interest, or bids or offers accompanied by a modifier to reflect unsolicited customer interest, in securities, single stock futures, and futures on narrow indexes that could be used as proxies for trading in the halted stock. Although Nasdaq believes that violations of a trading halt by a Nasdaq member could currently be addressed as violations of Rule 2110, which mandates high standards of commercial honor and just and equitable principles of trade, adding the rule to its rulebook will provide added clarity with regard to the requirement.

Second, Nasdaq is adopting IM-8310-3, which provides for release of disciplinary complaints, decisions and other information regarding Nasdaq members and their associated persons.⁶ The Rule is drafted to be administered by Nasdaq Regulation, which under Rule 8001, is defined to include FINRA staff, NASD Regulation staff, and FINRA departments acting on Nasdaq's behalf pursuant to Nasdaq's regulatory services agreement.⁷ Nasdaq's rule would empower its Chief Regulatory Officer to make certain determinations regarding the scope of disclosure; the comparable FINRA rule looks to

⁶ Among other things, the Interpretive Material contains descriptions of when particular decisions become effective. In this regard, the Interpretive Material is merely describing the parameters otherwise established in the 9000 Series of the Nasdaq Rules. Accordingly, Nasdaq believes that including the descriptions in the Interpretive Material enhances its clarity.

⁷ Nasdaq will amend its entire rulebook at a later date to replace references to NASD with references to FINRA.

the NASD Regulation Board of Directors or the President of FINRA Regulatory Policy and Oversight to make comparable decisions. In all other material respects, however, Nasdaq's IM-8310-3 will be substantively similar to FINRA's comparable Interpretive Material.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁸ in general, and with Sections 6(b)(5) of the Act,⁹ in particular, in that the proposal is 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 a national market system, and, in general, to protect investors and the public interest.

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 with respect to the proposed rule change.

⁸ 15 U.S.C. 78f.

⁹ 15 U.S.C. 78f(b)(5).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹

Nasdaq has requested that the Commission waive the 30-day pre-operative period for “non-controversial” proposals because it adopts rules that are already part of FINRA rules, and the waiver will allow FINRA to process disciplinary matters as Nasdaq’s regulatory services provider in accordance with the disclosure standards provided in IM-8310-3 without delay. In light of the foregoing, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission has determined to waive the operative delay, and the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act,¹² and Rule 19b-4(f)(6) thereunder,¹³ with no operative delay.¹⁴

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 C.F.R. 240.19b-4(f)(6).

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. 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. Please include File Number SR-NASDAQ-2007-070 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2007-070. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of Nasdaq. 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 SR-NASDAQ-2007-070 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Florence E. Harmon
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).