NASDAQ®
THE NASDAQ STOCK MARKET
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ROCKVILLE, MD 20850

September 6, 2006

Nancy Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington DC

Re: File Nos. S7-06-05 and SR-NYSE-2004-69 and SR-NYSE-2006-37

Dear Ms. Morris:

The Nasdaq Stock Market, Inc ("Nasdaq") welcomes the opportunity to submit comments in connection with the above-captioned rule proposals and related exemption request to, among other things, expand the number and type of bonds eligible for trading on the NYSE's Automated Bond System ("ABS"). Nasdaq strongly believes that the trading of all securities, including bonds, should be permitted on any well-regulated and efficient trading platform and that the Securities and Exchange Commission ("SEC" and "Commission") should use its exemptive authority to ensure that such trading is not inhibited by anachronistic statutory provisions or regulatory interpretations that limit transparency and competition in America's capital markets. In Nasdaq's view, national securities exchanges, already subject to extensive Commission oversight, are especially well-suited to provide quotation and execution services for various financial instruments, including ones not listed on the exchange.

In particular, Nasdaq is concerned that the NYSE's proposed rule requirement that eligible ABS bonds be issued by NYSE-listed companies or their wholly owned subsidiaries, draws an unnecessary, and potentially anti-competitive, linkage between an NYSE listing and the trading of ABS bonds. While the Commission indicated concerns in its release about the availability of comprehensive public information by debt issuers, it at the same time recognized the Exchange Act reporting regime for debt securities is different than that for equities under Section 12 of the Exchange Act. Nasdaq does not believe that Exchange Act reporting standards applicable to an issuer of equity securities are materially relevant to the trading of the issuer's debt instruments. Indeed, the unique nature of debt disclosure was the basis for the SEC not imposing comprehensive Exchange Act reporting obligations on those issuers of debt for which over-the-counter ("OTC") trade reports are submitted to the NASD's Trade Reporting and Compliance Engine ("TRACE") and, thereafter, disseminated to the market. The Commission, having established uniform disclosure standards governing OTC debt trading, should not impose any mandatory additional requirements when that trading takes place in a more transparent exchange environment.

The NYSE-proposed requirement that ABS securities be limited to issuers with at least one class of equity listed on the NSYE may place a substantial barrier to the trading of ABS issues by other competing exchanges that lack an equity listing relationship with the debt issuer. Through Exchange Act Section 12(f) and Exchange Act Rule 12f-5, which already govern unlisted trading privileges among exchanges, the Commission has fostered a highly efficient and transparent multi-market trading environment for equities. Applying those same unlisted trading principles to ABS securities can be expected to do the same for bonds. To the extent that the SEC nonetheless determines it appropriate that ABS be limited to NYSE issuers or their wholly-owned subsidiaries, Nasdaq believes that the principles of unlisted trading by competing exchanges should apply with equal force to ABS debt that the NYSE deems eligible for trading, and Nasdaq urges the Commission to ensure that any approval of the NYSE's proposed rule change and exemption request clearly preserve the ability of competing exchanges to trade ABS securities regardless of any listing-related restrictions voluntarily adopted by the NYSE for its own system. This will ensure that in seeking to alleviate competitive disparities between the NYSE and broker/dealers in the trading of bonds, the Commission does not create new ones among exchanges.

Finally, while multiple execution venues enhance trading competition and efficiency, multiple regulators do not. In Nasdaq's view, continuing the traditional unified environment for monitoring and regulating bond trading as overseen by the National Association of Securities Dealers ("NASD") is the best way to ensure that appropriate and non-duplicative regulatory obligations are imposed on bond market participants.

Sincerely,

J. C. Conley

Joan Conley
Senior Vice President
Office of Corporate Secretary