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

April 20, 2006

Nancy M. Morris
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: SR-NASD-2006-026 and SR-NASD-2006-027: Response to Comment

Dear Ms. Morris:

The Nasdaq Stock Market, Inc. ("Nasdaq") appreciates the opportunity to respond to the comment letter that was submitted to the Securities and Exchange Commission (the "SEC" or the "Commission") concerning the above-captioned rule filings,[1] which relate to the fees charged by Nasdaq for access through the Computer-to-Computer Interface ("CTCI") protocol.

Through the implementation of FIX and QIX and the sunset of the SDP/API, Nasdaq has continued towards its goal of allowing firms and service bureaus to choose their own circuit connectivity provider for access to Nasdaq's products and services. CTCI is the only remaining Nasdaq protocol that requires the firm to choose a Nasdaq-provided circuit for connectivity. In order for Nasdaq to complete its strategy, Nasdaq sought to modify the CTCI pricing structure in order to transition from circuit-based fee components based on bandwidth to "Station" fee components that are more synonymous with logical access ports. In SR-NASD-2006-026 and SR-NASD-2006-027,[2] Nasdaq proposed to make these changes for members and non-members, respectively.

CTCI Stations are logical channels used to manage the flow of data to and from the firm user. Stations are synonymous with the logical access ports used for FIX and QIX as they have the same characteristics, including a one-to-one relationship between the firm and Station and throughput limits. For this reason, Nasdaq chose a Station-based fee component for its new pricing. In order to facilitate the transition, Nasdaq sought to modify the current bandwidth based fees to Nasdaq's circuit cost imposed by its carrier plus an administration cost. Firms that decide not to transition off of Nasdaq supported circuits will pay the new bandwidth-based fees in addition to Station fees.

[1] Letter from M. Gary LaFever, Executive Vice President & General Counsel, FTEN, Inc., to Nancy M. Morris, Secretary, SEC (March 31, 2006).

[2] Securities Exchange Act Release No. 53536 (March 21, 2006), 71 FR 15784 (March 29, 2006) and Securities Exchange Act Release No. 53535 (March 21, 2006), 71 FR 15788 (March 29, 2006).

The comment letter submitted by FTEN, Inc. ("FTEN") to the Commission on the proposed rule change is based on flawed reasoning and does not accurately reflect the impact of station-based pricing for clearing firms. Although the FTEN letter contains a number of misstatements and factual inaccuracies, this response focuses on FTEN's central claim. Specifically, FTEN incorrectly asserts that correspondent trade information for Nasdaq affiliates is no longer available on economically viable terms in FIX format, and would not be available on economically viable terms through CTCI under the new pricing structure.

For Clearing Firms, a single CTCI Station may include the clearing firm trade messages for each of the correspondents they support. These clearing firm trade messages are provided real-time and contain the information necessary for managing the intra-day risk of their correspondent firms. The same clearing firm trade messages are provided real-time for those who use FIX. As these trade messages are provided over a single station or port, we believe that this information is available on economically viable terms since a clearing firm may conceivably support all of their correspondents through one CTCI station or FIX port. Thus, Nasdaq believes that the fee to the clearing firm would be $600 per month for CTCI, or $500 per month for FIX. A firm incurring higher fees would do so for reasons other than price (*e.g.*, reaching performance targets or supporting an existing system architecture) and the price would then vary by clearing firm.

Nasdaq believes that the proposed fee is consistent with Section 15A of the Act, because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the NASD operates or controls. From Nasdaq's perspective, the self-interested yet factually unfounded arguments of one entity should not derail the rule change as proposed that benefits investors and market participants alike by providing additional choice in the available methods of obtaining access to Nasdaq. Accordingly, Nasdaq believes that the rule changes, as proposed, are a fair and non-discriminatory means of assuring that each CTCI subscriber that benefits from the operation of the CTCI service pays an equitable portion of the costs associated with it.

We would be happy to discuss the proposed fee with you at your convenience. Please call Jonathan F. Cayne at (301) 978-8493 or John M. Yetter at (301) 978-8497 if you have any further questions or concerns.

Sincerely,

Edward S. Knight

Edward S. Knight
Executive Vice President
and General Counsel

cc: Katherine England, Division of Market Regulation
Joseph Morra, Division of Market Regulation