

January 17, 2007

U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-9303  
Attention: Ms. Nancy Morris

**Re: File No. SR-NASDAQ-2006-056**

Ladies and Gentlemen:

The Market Data Subcommittee of the Securities Industry and Financial Markets Association ("SIFMA")<sup>12</sup> Technology and Regulation Committee appreciates the opportunity to comment on The NASDAQ Stock Market's ("NASDAQ") proposed rule change referenced above. NASDAQ proposes to establish a new data filtration system -- NASDAQ Custom Data Feeds — that will permit entities to request and receive customized data feeds. NASDAQ proposes to charge: (1) a \$50,000 initial set-up fee; (2) user and distributor fees for the underlying data entitlement from which the customized data is extracted; and (3) an additional fee for \$1,000 per month, per filtered feed.

This rule filing does not meet the requirements of Securities Exchange Act Rule 19b-4. There is no cost-based analysis or justification for the service in the release. The proposal raises problems regarding how the proposed fee was calculated, an issue that SIFMA has commented upon extensively in the past,<sup>3</sup> and which is implicated as well in the pending petition seeking to overturn the staff approval of NYSEArca's proposed fee filing.<sup>4</sup>

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<sup>1</sup> The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

<sup>2</sup> See, Comment Letters from the Securities Industry Association ("SIA") re: SR-NYSEArca-2006-21 and SR-NYSEArca-2006-23 (NYSEArca market data fee proposal) (June 30, 2006 and Aug. 18, 2006); Comment Letter from SIFMA re: SR-Amex-2006-89 (Amex Depth-of-Book Data) (Jan. 3, 2007); Comment Letter from SIFMA re: SR-NYSE-2006-81 (NYSE proposal to bundle exchange best bid and offer data with OpenBook) (Nov. 9, 2006); Comment Letter from SIA re: SR-SR-Nasdaq-2006-013 (TotalView fee proposal) (Aug. 18, 2006); Comment Letter from the SIA (April 28, 2006), File No. SR-NYSE-2005-32 (NYSE OpenBook proposal); Comment letter from the SIA (July 18, 2005), File No. SR-NASD-2005-05 (TotalView enterprise license fee).

<sup>3</sup> In the Matter of NetCoalition, File No. SR-NYSEArca-2006-21.

Additionally, will potential competitors be at a substantial disadvantage as NASDAQ will already have processed the raw data ("traditional data feed") into a customized feed when they are released? Any competitor would have to take in the traditional data feed and customize it, thereby being placed at a competitive disadvantage to NASDAQ's service. Should a commercial service such as this be provided directly by the exchange as an SRO, or should such a service only be offered by an affiliate on the condition that the terms under which that affiliate receives the underlying market data are offered to other vendors so as to assure competition and prevent commercial conflicts of interest at the exchange? These important issues are not discussed in the release.

As SIFMA has urged in previous letters, we believe the Division of Market Regulation should not approve market data fee proposals by delegated authority until the Commission has addressed and resolved important policy issues — including the proper standard for calculating market data fees.

Thank you for your consideration. If you have any questions regarding this letter, please contact me at (202) 434-8447.

Sincerely,

A handwritten signature in black ink that reads "Melissa MacGregor". The signature is written in a cursive, flowing style.

Melissa MacGregor  
Assistant Vice President and Assistant General Counsel

cc: Ira Hammerman  
Ann Vlcek