

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-54249; File No. SR-NASDAQ-2006-017)

July 31, 2006

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Technical and Conforming Changes to Nasdaq's 1000 Series Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 24, 2006, The NASDAQ Stock Market LLC ("Nasdaq") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by Nasdaq. Nasdaq has designated the proposed rule change as constituting a non-controversial rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission.<sup>5</sup> 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 to conform the Rule 1000 Series of Nasdaq's rules to certain changes made to the Rule 1000 Series of the rules of the National Association of Securities Dealers, Inc. ("NASD") since approval of Nasdaq's rules by the Commission in January 2006 and to correct

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> Nasdaq requested the Commission to waive the 30-day operative delay, as specified in Rule 19b-4(f)(6)(iii). 17 CFR 240.19b-4(f)(6)(iii).

certain errors in the approved rules. Nasdaq proposes to implement the proposed rule change immediately.

The text of the proposed rule change is available on Nasdaq's Web site ([www.complinet.com/nasdaq](http://www.complinet.com/nasdaq)), 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

Nasdaq is modifying its 1000 Series Rules, which are based to a substantial extent on comparable NASD Rules, to conform them to certain changes made to the Rule 1000 Series of the rules of NASD since approval of Nasdaq's rules by the Commission in January 2006 and to correct certain errors in the approved rules. Specifically, Nasdaq is:

- Amending Nasdaq IM-1002-2 (currently erroneously designated as IM-1000-2), to conform it to recent changes to comparable NASD Interpretive Material. The rule allows associated persons to be placed on inactive status, thereby preserving their registration, while serving in the Armed Forces of the United States. In SR-

NASD-2005-135,<sup>6</sup> NASD tolled the two-year licensing expiration provisions under its Rule 1000 Series for a person previously registered with a member who commences active military duty within two years after he or she has ceased to be registered with the member, and also tolled the expiration provisions for a person placed upon “inactive” status pursuant to the Interpretive Material, who while serving in the Armed Forces of the United States, ceases to be registered with a member. Nasdaq is proposing to adopt the same tolling provisions as the NASD.

- Amending Nasdaq Rule 1013 to reflect changes to the names of the forms used by NASD to authorize access to its Web CRD system.<sup>7</sup>
- Correcting an error in the description of the requirements for registration as a Limited Representative – Equity Trader. The comparable NASD Rule requires an associated person of an NASD member engaged in trading “otherwise than on a securities exchange” to register as an equity trader and pass the applicable qualifications examination, known as the Series 55 exam. Because the trading systems of The Nasdaq Stock Market, Inc. had historically been the primary systems for trading otherwise than on an exchange, the exam has been focused

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<sup>6</sup> Securities Exchange Act Release No. 53182 (January 26, 2006), 71 FR 5391 (February 1, 2006) (SR-NASD-2005-135).

<sup>7</sup> See Securities Exchange Act Release No. 53564 (March 29, 2006), 71 FR 16847 (April 4, 2006) (SR-NASD-2006-038). Web CRD is an NASD system used by NASD and other SROs for maintenance of registration information concerning broker-dealers and their associated persons. Nasdaq members are required to use Web CRD.

SR-NASD-2006-038 also adopted a uniform form for registration of NASD members, Form NMA. Nasdaq is not at this time formally adopting Form NMA, because of differences between the requirements of Nasdaq Rule 1013 and the comparable NASD Rule 1013. Applicants for Nasdaq membership may, however, use Form NMA to enhance their understanding of those aspects of Nasdaq Rule 1013 that directly parallel requirements of NASD Rule 1013.

largely on the use of those systems. Nasdaq Rule 1032(f) had likewise been intended to focus registration and examination requirements on traders using Nasdaq systems, but the words “otherwise than on a securities exchange” were deleted from the rule without an appropriate substitution. Accordingly, Nasdaq is amending the rule to require registration “with respect to transactions in equity, preferred or convertible debt securities on Nasdaq.” Thus, if an associated person of a Nasdaq member is engaged in trading securities on a venue other than Nasdaq, the Nasdaq Rule would not require the trader to register under this category.

- Amending Nasdaq Rules 1011, 1012, 1013, 1032, and 1140 and IM-1002-4 to correct typographical errors.

## 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>8</sup> in general, and with Section 6(b)(5) of the Act,<sup>9</sup> 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. The proposed rule change conforms the Rule 1000 Series of Nasdaq’s rules to certain changes made to the Rule 1000 Series of NASD rules since approval of

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<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(5).

Nasdaq's rules by the Commission in January 2006 and corrects certain errors in the approved rules.

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.

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

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder<sup>11</sup> because the proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder.

Nasdaq has requested that the Commission waive the 30-day operative delay.<sup>14</sup> The Commission believes that the waiver of the 30-day operative delay is consistent with the

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

<sup>14</sup> 17 CFR 240.19b-4(f)(6)(iii).

protection of investors and the public interest. Waiver of the 30-day operative period will allow Nasdaq to implement these changes immediately so that they can be in place prior to the time Nasdaq begins to operate as a national securities exchange. Accordingly, the Commission designates the proposal to be effective and operative upon filing with the Commission.<sup>15</sup>

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 that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2006-017 on the subject line.

##### Paper comments:

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

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<sup>15</sup> For the purposes only of waiving the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-NASDAQ-2006-017. 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 Section, 100 F Street, NE, Washington, DC 20549-1090. 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-2006-017 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.<sup>16</sup>

Nancy M. Morris  
Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).