

## SEC Approves NASDAQ's Application to Register as an Exchange



**Please Route To:** Head Traders; Technical Contacts; Compliance Officers

### What you need to know:

- On January 13, 2006, the Securities and Exchange Commission (SEC) approved NASDAQ's application to register The NASDAQ Stock Market LLC, a newly formed subsidiary, as a National Securities Exchange.
- NASDAQ will work with the SEC to determine the date on which NASDAQ will satisfy the conditions specified in the [approval order](#) and begin operating as an exchange.
- Non-NASD member firms should submit their [membership applications](#) to NASDAQ **as soon as possible** so that the application review process will be completed prior to the operational date.
- NASD member firms must submit their ["waive-in" membership applications](#) no later than February 17, 2006, to ensure continued connectivity to NASDAQ.

**Who you should contact:** [NASDAQ Market Sales](#) at 800.846.0477

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### What does the SEC approval mean?

On January 13, 2006, the SEC approved NASDAQ's application to register as a National Securities Exchange. NASDAQ® will now work with the SEC to determine the operational date — the date on which NASDAQ will begin operating as an exchange. This date is subject to NASDAQ satisfying any conditions specified in the [approval order](#). NASDAQ hopes that the operational date will be on or around April 1, 2006; however, as NASDAQ must first satisfy the conditions specified in the SEC approval order and due to the uncertainties associated with some of these conditions, the actual date may be delayed.

### What are the benefits to NASDAQ's status as an exchange?

Exchange registration allows NASDAQ to operate as an independent self regulatory organization (SRO), without being controlled by the NASD.

- As an SRO, NASDAQ will have its own rules regarding trading, listing, membership and regulation. NASDAQ will, however, continue to be subject to SEC oversight.
- NASDAQ's new status will eliminate any perception of conflict of interest between the regulation of the market and the primary trading center.
- Becoming an exchange will eliminate some disparate treatment of securities listed on NASDAQ, because they are not considered "exchange-listed." Some state laws accord securities "listed on an exchange" more favorable treatment than other securities.

### What will change when NASDAQ becomes an exchange?

While NASDAQ already operates like an exchange, there will be two key changes:

- NASDAQ's transaction facilities will be separated from the over-the-counter trade processing facilities (ACT). NASDAQ's transaction execution services, including the NASDAQ Market Center®, Brut and Inet, will be operated under NASDAQ's exchange license. And, subject to SEC approval, NASDAQ plans to offer trade reporting through the Trade Reporting Facility, a new limited liability company operated by NASDAQ.
- NASD members that currently operate as order-entry firms, market making firms or ECNs in the NASDAQ Market Center will need to register as NASDAQ members in

order to use the NASDAQ Market Center trading system and other NASDAQ services.

### What do I need to do to become a NASDAQ member?

Customers can apply now for membership in the new exchange in order to make the transition seamless.

**Current NASD members** can elect to be “waived in” as NASDAQ members by:

- Completing the [NASDAQ Waive-In Membership Application and Agreement](#) (PDF).
- Completing two copies of the [NASDAQ Services Agreement](#) (PDF). Retain one copy for your records.
- Returning the NASDAQ Waive-in Membership Application and Agreement and one copy of the NASDAQ Services Agreement to:  
The NASDAQ Stock Market  
Membership Department  
1735 K Street, NW  
Washington, DC 20006-1506  
Attention: Karin Marshall  
NOX Membership Application Processing
- NASD members that want to become NASDAQ members prior to the operational date should submit their applications by February 17, 2006.

**Non-NASD members and members of another SRO** will be subject to the full membership review process, which begins with:

- Completing the [NASDAQ Full Membership Application and Agreement](#) (PDF) and submitting it to the above address.
- Non-NASD members and members of another SRO that want to become NASDAQ members prior to the operational date should submit their applications as soon as possible.

### Is there a fee to apply for NASDAQ membership?

NASD members that “waive-in” prior to the operational date can submit their application for free. Non-NASD members and NASD members that “waive-in” after the operational date must pay an application fee of \$2,000.

### Where can I go for more information?

For more information:

- Visit [www.NASDAQTrader.com/ER](http://www.NASDAQTrader.com/ER)
- Contact [NASDAQ Market Sales](#) at 800.846.0477
- Contact [NASDAQ Subscriber Services](#) at 800.777.5606

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