

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 13, 2006 (March 7, 2006)

THE NASDAQ STOCK MARKET, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

000-32651

(Commission File Number)

52-1165937

(I.R.S. Employer
Identification No.)

One Liberty Plaza, New York, New York 10006

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: **(212) 401-8700**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On March 7, 2006, the Management Compensation Committee of our Board of Directors approved modifications to our Board Compensation Policy. Under the current policy, our non-employee directors receive annual compensation valued at \$50,000, which they may elect to receive in cash, restricted stock, or a combination of the two. The modifications, to become effective immediately following our annual shareholders' meeting, provide for annual restricted stock grants valued at \$50,000, for total annual director compensation valued at \$100,000. In addition, the modifications implement meeting attendance fees for our directors of \$1,000 per board meeting and \$500 per committee meeting. The Chairman of the Board, directors who chair committees of the Board and directors serving on our Audit Committee receive additional compensation, detailed in our proxy statement filed on May 2, 2005, which is not affected by these modifications. A copy of the revised Policy is attached as Exhibit 10.1 to this Report and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

10.1 Board Compensation Policy

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: March 13, 2006

THE NASDAQ STOCK MARKET, INC.

By: /s/ Edward S. Knight

Edward S. Knight

Executive Vice President and General Counsel

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The Nasdaq Stock Market, Inc.**Board Compensation Policy**

**Approved March 7, 2006 for Implementation in Conjunction
with 2006 Annual Shareholders Meeting**

Annual Retainer Compensation for Non-Employee Directors

- Annual Non-Employee Director (“Director”) compensation will be based on a compensation year beginning and ending in May. This enables Directors to receive equity immediately following election and appointment to the Board at the annual shareholders meeting.
- Annual Retainer compensation will be equal to a total value of \$50,000 for Directors and \$100,000 in cash and \$50,000 in Restricted Stock Awards for the Chairman of the Board.
- Directors may annually elect to receive 100% or 50% of the Annual Retainer compensation in cash, equity, or two equal portions of cash and equity. If selected, the equity portion of the annual retainer will be paid in the form of Restricted Stock Awards (“RSAs”). Each Director will have the opportunity to make this election during the thirty (30) day period preceding the annual shareholders meeting.
- Directors will be given an opportunity to review the Director Compensation Policy in advance of the shareholders meeting, and will be asked to make the election immediately following the shareholders meeting to receive a grant of RSAs at the Board meeting which follows the annual shareholders meeting. If the Director declines to make an election, the entire Annual Retainer will be paid in cash.
- Calculation of the number of shares of restricted stock to be awarded will be valued at 100% of face value and based on the closing price of Common Stock on the date immediately prior to the grant (“Fair Market Value”) at a value of \$25,000 or \$50,000, according to the election of cash and/or equity.
- The cash portion selected will be paid quarterly in equal installments.
- All Director RSAs will be granted under The Nasdaq Stock Market, Inc. Equity Incentive Plan (the “Equity Plan”).
- A Director appointed after the annual shareholders meeting will be eligible to receive a prorated share of the annual retainer compensation.

Annual Non-Retainer Equity for Non-Employee Directors

- Directors will receive non-retainer equity in the form of Restricted Stock Awards (“RSAs”) in the amount of \$50,000 per annum.
- The Director will receive the grant following the annual shareholders meeting.
- Calculation of the number of shares of restricted stock to be awarded will be valued at 100% of face value and based on the closing price of Common Stock on the date immediately prior to the grant (“Fair Market Value”) at a value of \$50,000.
- The RSA vesting schedule and other pertinent information related to the RSAs grants are discussed below in the RSAs section.
- A Director appointed after the annual shareholders meeting will eligible to receive a prorated non-retainer equity grant at the Director’s first Board meeting.

Board and Committee Meeting Attendance Fees for Non-Employee Directors

- Each Director will receive a fee of \$1,000 for each Board meeting attended. These fees will be paid quarterly.
- Each Director will receive a fee of \$500 for each Committee meeting attended. These fees will be paid quarterly.

Annual Committee Chair Fees

- Each Chairperson of the Finance, Management Compensation, Audit, Policy, Corporate Governance and Regulatory Oversight Committees will receive an Annual Chair Fee of \$15,000.
- Annual Chair fees will be paid in the form of cash at the beginning of the annual compensation cycle in May.

Audit Committee Member Fees

- Each Non-Chair Member of the Audit Committee will receive an annual membership fee of \$5,000.

- Annual Member fees will be paid in the form of cash at the beginning of the annual compensation cycle in May.

RSAs

- **RSA Vesting**

- RSAs will vest 100% two (2) years from the date of grant. RSAs will also vest upon the scheduled expiration of a Director's term, if such term is not renewed.
- Upon a Director's resignation (other than for death or disability) prior to the end of the Director's term, RSAs will be forfeited.
- Upon termination of a Director for "Misconduct" all RSAs will be forfeited without further consideration to the Director.
- Upon termination of a Director on account of his death or "Disability," RSAs will vest.
- Shortly after vesting, a package will be mailed to the Director's home address containing a cover letter, stock certificate and tax information.

- **RSA Agreements, Share Restrictions & Voting Rights**

- RSAs will be evidenced by an RSA Agreement to be entered into with each Director and will be governed by the Equity Incentive Plan.
- Once vested, shares will be freely tradable, subject to restrictions on sales by affiliates under Rule 144. Nasdaq does not have a repurchase right or obligation.
- Trading in these shares will be subject to the Policy Statement On Trading In Nasdaq and Other Securities By Directors and Officers and to any contractual restrictions on transfer, such as lock-up agreements, that may be applicable.
- During the vesting period, unvested restricted shares may be voted.

- **Taxes**

- Taxes on restricted stock are generally not imposed at the time of grant. However, once shares vest, the value of the vested shares are taxed as ordinary income. Alternatively, a Section 83(b) election may be filed with the IRS within **30 days** of the date of grant. An 83(b) election, allows for the taxes to be paid on the value of the unvested RSA on the date of grant, instead of at the time of vesting.
- If an 83(b) election is not made, tax will be due on the value of the **vested portion** of the RSA on the date of vesting using the fair market value of Nasdaq's shares. The payment of these taxes will be made by the Director directly to the IRS based upon the Director's own personal tax situation. Nasdaq will provide the Director with the appropriate 1099M in the year following the vesting (additional tax information will be provided if the Director is filing taxes on a quarterly basis).
- Any future appreciation realized when a Director sells or transfers the vested RSA shares will be taxed at the applicable capital gains rate.
- Nasdaq encourages its Directors to consult with a tax advisor before making a Section 83(b) election.
- **Reporting and Disclosure**
 - SEC Form 4s (Change in Beneficial Ownership) must be filed by each Director with the SEC within 2 days of RSA grants. The Director may request NASDAQ's assistance in the preparation and filing of Section 16 reports via the "COMPANY ASSISTANCE WITH SECTION 16 REPORTING" form and by providing a completed Power of Attorney and CIK/CCC Code, if the Director has a CIK/CCC Code currently assigned.
 - RSAs will be reflected as stock owned by Directors in the Beneficial Ownership Table of the Nasdaq Proxy and will be disclosed under the general Director compensation section of the Proxy.
- **Accounting**
 - RSAs are expensed by the issuer over the vesting period.