

January 20, 2005
Barbara Z. Sweeney
Office of the Corporate Secretary
NASD
1735 K Street, N.W.
Washington, D.C. 20006-1500

RE: NASD Request for Comment on Proposed Changes to the OATS Rules (NTM 04-80)

Dear Ms. Sweeney:

royalblue Financial Corp. ("royalblue") thanks the NASD for the opportunity to provide comments on proposed changes to the OATS Rules. royalblue is an international technology provider of trading solutions and is a registered Order Sending Organization whose software is used to create and transmit OATS reports on behalf of over 30 Member Firms.

The NASD's staff proposes three changes to the OATS rules:

1. Order information relating to exchange-listed and OTC equity securities.

The staff proposes that OATS requirements be extended to exchange listed and OTC equity securities. Technically it would not be difficult to extend OATS reporting to non-Nasdaq securities. This would, however, possibly duplicate and conflict with the New York Stock Exchange's Order Trail System ("OTS") requirements. It is worth noting that the Securities and Exchange Commission (the "Commission") in its Concept Release concerning Self-Regulation dated November 18, 2004, discusses conflicting and duplicative regulation.

2. Enhance OATS Information Reported for Orders Routed to Exchanges or Non-Members

The staff proposes that OATS Execution Reports be created for orders routed to Exchanges and other non-Members (New Order and Route reports are already created).

These additional requirements would necessitate new development and would not be a trivial undertaking. We urge the staff to consider instead obtaining any needed additional regulatory information directly from the Exchanges or through the auspices of the Intermarket Surveillance Group ("ISG"). We understand that the

NASD and Exchanges are full members of the ISG and that such cooperative efforts are its purpose. We also urge the staff to consider how often additional information is required surrounding routes to non-members and whether such information can be obtained otherwise than by requiring member firms to expend considerable resources developing new OATS reports.

3. Proposed changes to eliminate current Exceptions for Market Makers

Proprietary orders generated during the course of market making are entered into Nasdaq Workstation-like interfaces that directly access the market and transmit order messages to the Nasdaq Market Center, ECNs and Exchanges.

We understand the staff already has access to the messages transmitted to the Nasdaq Market Center. The staff already receives OATS reports from ECNs. To the extent additional information is required from Exchanges we urge the staff to consider obtaining that information directly from the Exchanges or through the auspices of the ISG. In addition, it should be pointed out that the distinction between orders and quotes is no longer clear. The Nasdaq Market displays unexecuted orders as quotes (unless IOC). Would quote updates then be subject to the proposed OATS rules?

These changes in particular would require significant development work, including developing the means to capture and store the messages noted above.

> Regards,
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