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VIA MESSENGER

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Room 6184, Mail Stop 6-9
Washington, D.C. 20549

**Re: File No. SR-NASD-01-19; Amendment No. 1 to Proposed Rule 3150,
Reporting Requirements for Clearing Members**

Dear Mr. Katz:

The National Association of Securities Dealers, Inc. ("NASD" or "Association") hereby: (1) responds to the comment letter received by the Commission in response to the publication in the *Federal Register* of Notice of Filing of SR-NASD-01-19;¹ and (2) amends the above-referenced rule filing as described below and as reflected in the proposed rule language attached as Exhibit 1. The filing of this Amendment No. 1 clarifies that the proposed reporting requirement applies to both clearing and self-clearing firms.

Issues Raised in Comment Letter

The Commission received one comment letter on the proposed rule change. The letter was signed by six firms: Legg Mason Wood Walker, Inc.; Wachovia Securities, Inc.; BNY Clearing Services LLC; Stifel, Nicolaus & Company, Incorporated; U.S. Bankcorp Piper Jaffray; and Wells Fargo Investments (hereinafter referred to as "the Firms").

The Firms state at the outset that they have no issues with the goals of NASD Regulation and its plans to use information gathered under proposed Rule 3150 to better monitor firms. Their concerns focus on the implementation of proposed Rule 3150. The Firms state that the service bureau systems used by most of the self-clearing firms do not process the data as currently described in NASD Regulation's proposed list of elements and that the data that the

¹ Release No. 34-44251 (May 3, 2001); 66 F.R. 23750 (May 9, 2001). The public comment period announced in the Federal Register expired on May 30, 2001.

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service bureaus have may be misleading. The Firms also state that not all clearing firms have the data that will be required by NASD Regulation in an automated format that can be retrieved without major burden. They propose that NASD Regulation survey the self-clearing firms and their service bureaus to determine which of the proposed data elements are currently calculated and available for nightly delivery, and to consider this information when planning INSITE's scheduled implementation. The Firms state that they are concerned that providing data under proposed Rule 3150 at the same time that they are responding to other industry initiatives such as TRACE, order handling rules, and T+1 will place an undue burden on their systems resources.

In response, NASD Regulation reiterates its commitment to work with its member firms to make the reporting requirements under Rule 3150 as reasonable as possible. NASD Regulation has already conducted a series of discussions with service bureaus that have resulted in modifications to the data elements that conform to their current daily calculations. NASD Regulation will continue to have these discussions and will continue to respond to the service bureaus' concerns by modifying data element requirements, as appropriate.

NASD Regulation also will be conducting a series of meetings with clearing and self-clearing firms around the country starting in June 2001. The six commenters will be invited to these meetings. The purpose of these meetings is, among other things, to explain the data elements that firms will be required to report under proposed Rule 3150, to answer the firms' questions about the process, and to gather additional information about the firms' capability to report required information.² NASD Regulation will continue to modify the reporting requirements and INSITE's scheduled implementation as necessary based on the information it receives from its member firms.

NASD Regulation recognizes that firms may have to make some programming changes in order to create the daily summaries required by the INSITE program. It is, however, NASD Regulation's goal to implement reporting requirements under proposed Rule 3150 in as reasonable a manner as possible, in order to give clearing and self-clearing firms sufficient time to prepare. NASD Regulation plans to begin requiring reporting under proposed Rule 3150 in approximately November 2001, but it will phase in clearing and self-clearing firms in several stages. NASD Regulation will work with its member clearing and self-clearing firms to give them as much advance notice as possible of the date on which their reporting requirements will begin and to prepare them to meet these requirements.

² Member firms may obtain information about these workshops and technical forums as well as the Firm Data Filing Technical Specifications required under Rule 3150 on the NASD Regulation Web Site.

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Proposed Amendment

The language of the proposed rule change provides that each member that is a clearing firm shall be required to report prescribed data to the Association. As stated in the "Purpose" section of the rule filing, the term "clearing firms" in the proposed rule applies to both self-clearing firms and clearing firms (that clear for introducing brokers). NASD Regulation believes that amending the rule language explicitly to refer to both clearing firms and self-clearing firms will clarify that all clearing firms are subject to the rule's requirements.

If you have any questions, please contact Shirley H. Weiss, Office of General Counsel, NASD Regulation, Inc., at (202) 728-8844; e-mail Shirley.Weiss@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Shirley H. Weiss

cc: Jack P. Drogin
Lisa Jones
Heidi E. Pilpel

EXHIBIT 1

**LIST OF COMMENTERS ON PROPOSED REPORTING REQUIREMENTS FOR
CLEARING MEMBERS**

1. Legg Mason Wood Walker, Inc.; Wachovia Securities, Inc.; BNY Clearing Services LLC; Stifel, Nicolaus & Company, Incorporated; U.S. Bankcorp Piper Jaffray; and Wells Fargo Investments (May 17, 2001)

EXHIBIT 2

Below is the text of the proposed rule change. The original proposed new language is underlined; the new proposed language is double underlined; proposed deletions are in brackets.

3100. BOOKS AND RECORDS, AND FINANCIAL CONDITION

3150. Reporting Requirements for Clearing Firms

Each member that is a clearing firm or self-clearing firm shall be required to report to the Association on a daily basis and in such format as the Association may require, prescribed data pertaining to the member and any broker-dealer for which it clears. A clearing firm or self-clearing firm may enter into an agreement with a third party pursuant to which the third party agrees to fulfill the [clearing firm's] obligations of a clearing firm or self-clearing firm under this Rule. Notwithstanding the existence of such an agreement, each clearing firm or self-clearing firm remains responsible for complying with the requirements of this Rule.