



February 6, 2006

Barbara Z. Sweeney
Office of the Corporate Secretary
NASD
1735 K Street, NW
Washington, DC 20006-1506

Re: Proposed Interpretive Material IM-3060; Gifts and Business Entertainment

Dear Ms. Sweeney:

NRS appreciates the opportunity to comment on the proposed Interpretive Memo, IM-3060.

In review of the proposed interpretation, NRS has identified two areas of concern with Proposed Interpretive Memo IM-3060.

The first is that while NRS applauds the NASD for eliminating the \$100 limit “pertaining to gifts to any person where such payment is in relation to the business of the recipient’s employer,” we feel that Proposed IM-3060 leaves too much room for interpretation first by industry and then by regulatory examiners. Proposed IM-3060 purports to have firms adopt their own entertainment policies and procedures designed to establish appropriate levels of business entertainment to avoid conflicts of interest in providing professional services.

NRS believes that firms cannot reasonably interpret what a regulator would find to be appropriate. This proposal puts compliance officers into a position of interpretation that may not be consistent with a regulator.

While we understand that it is not practical to impose a specific dollar limitation, NRS would like to see more specific guidance given in the proposed Interpretive Material. We would also request that an extensive FAQ be issued which discusses, in detail, some of the issues presented in this Interpretive Memo, such as what constitutes a “legal but nevertheless inappropriate activity for business entertainment.” While certain entertainment can perhaps clearly be interpreted as inappropriate for business entertainment, there may be individuals or

businesses which find certain entertainment appropriate while others, for various reasons, would clearly find inappropriate. Who makes the final decision?

Our second concern is the portion of this Interpretive Memo which requires that periodic monitoring for compliance with the written policies and procedures be conducted **(by an independent reviewer, if practicable)**. (emphasis added.)

NRS also believes firms need additional guidance with regard to qualifications. Who would qualify as an “independent reviewer?” Will broker/dealers be required to incur additional expense to bring in an outside reviewer? What circumstances would make such a review impracticable? Sufficient further guidance is needed in this area.

In closing, while the underlying ethical purpose of this Interpretive Memo is clear and desirable, clearer and more specific guidelines will provide more comprehensive industry best practices that will be relatively simple for all broker/dealers to emulate. Competition is the nature of business and broker/dealers are no exception. The only way to compete on a level playing surface is to have rules that are clear and straightforward. If the firm down the street is implementing an interpretable rule in a manner which, while apparently within the guidelines of IM-3060, gives them a leg up on the competition, would I not want to emulate their interpretation, rather than adopting a stricter interpretation?

Thank you for allowing NRS to make these comments.

A handwritten signature in black ink, appearing to read "Marianne Czernin", with a horizontal line extending to the right.

Marianne Czernin, Senior VP
Director, Broker/Dealer Client Services