

September 13, 2006

VIA OVERNIGHT MAIL

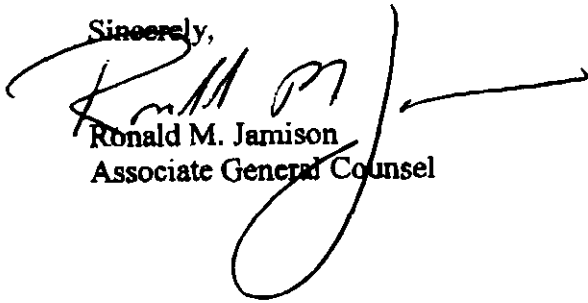
Barbara Z. Sweeney
Office of the Corporate Secretary
NASD
1735 K Street, N.W.
Washington, DC 20006-1506

Dear Ms. Sweeney:

In response to the June 2006 Notice to Members 06-31 requesting comment on regulatory relief during a possible pandemic, please find the attached recommendations.

Thank you for giving us the opportunity to respond.

Sincerely,


Ronald M. Jamison
Associate General Counsel

RMJ:nac
Attachment

cc: June Costello
Joy Palmeri

NASD Contingencies regarding a possible Pandemic Flu

Brokerage

- 1) Extension of deadlines for OATS/TRACE/MSRB reporting. A full exemption during period of pandemic for OATS/MSRB/TRACE reporting is warranted.

Compliance

- 1) Terminations for Registered Representatives: Currently, NASD Form U5 terminations must be done within 30 days or fines begin to accrue. The 30-day deadline should be extended to a minimum of 120 days in the event of a pandemic.
- 2) Amendments for Registered Representatives: NASD Form U4 amendments must currently be done within 30 days or fines begin to accrue. The 30-day deadline should be extended to a minimum of 120 days in the event of a pandemic.
- 3) Complaint and Event Reporting for responses to customers as well as required regulatory firm reporting: Provide firms with extended deadlines for the duration of the pandemic.
- 4) CEO Certification: Provide firms with an extended deadline of one year in which to meet the Rule 3013 annual CEO certification requirement.
- 5) Quarterly Contact Update: Permit firms to take additional time to update their contact lists via Web CRD. Currently, NASD Rules 1120, 1150, and 3520 require firm updates on a semiannual basis.
- 6) Regulatory Element Continuing Education (CE) Inactive Status: Currently, representatives become CE inactive if they do not complete their CE requirements within a 120-day window. Given that the CE program is taken at testing centers operated by outside vendors, the NASD should consider "freezing" a representative in an active status before they go inactive in the event of a pandemic. Once the pandemic threat passed, the NASD could provide representatives with additional time to complete their CE requirement.
- 7) Firm Element Continuing Education (CE): Permit firms to move certain elements of their firm element CE plan required by Rule 1120 to the following year.
- 8) Principals: In the event of a pandemic, permit firms to designate certain personnel to operate as principals for a short-term window, such as 120 days. This would include being able to designate a Financial and Operations Principal (27) and a Registered Options Principal (4) as needed.
- 9) FOCUS: Provide a minimum of 120 additional days to file these reports.
- 10) Allow firms to push back certain branch audits and testing requirements as indicated by Rule 3010(c) and Rule 3012(a) so that they would not have to be completed annually in the event of a pandemic.
- 11) Responsibilities of Registered Representatives: Only for mutual funds directly traded through a fund family transfer agency system (not through a broker dealer platform). The NASD should consider permitting a lower licensed representative or a non-licensed person to do the work of a representative with a higher license so that a lower licensed representative or non-licensed representative with supervision could provide greater assistance in the event of staffing shortages associated with a pandemic.
- 12) Branches: Provide relief such that a registered branch office would not be deemed "deficient" with the prolonged absence of an on-site supervisor or person-in-charge.
- 13) Grant CCO or CCO designee the ability to relax certain internal compliance policies and procedures and other internal controls including, but not limited to :
 - a. Business Recovery plans
 - b. External e-mail review

Investment Accounting

- 1) Ability to price funds on a weekly basis instead of a daily basis. For funds that are priced weekly, there would be no retroactive daily price)
- 2) Financial reporting, which would include preparation of semi-annual and annual shareholder reports along with NSAR and 24f filings, would have their normal deadlines extended. The reports could be filed 120 days after the funds respective annual or semi-annual year ends instead of 60 days. This, in turn, would give investment accounting and financial reporting additional time to prepare the work papers needed to create these reports and schedules.
- 3) The processing cycle for security transactions would be extended from T plus one to T plus five.