

February 26, 2003

Ms. Katherine A. England
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1001

Re: File No. SR-NASD-00-42, Amendment No. 3
Recording and Reporting Requirements for Certain Quotation Data

Dear Ms. England:

NASD hereby submits Amendment No. 3 to the above-referenced rule filing. NASD is clarifying that the terms “prevailing inside bid” and “prevailing inside offer” as referenced in proposed Rule 6630(b)(8) and (9), respectively, refer to the prevailing inside bid and offer of the system under which the participant has a responsibility to provide quotation activity under Rule 6630(b)(1) through (7) to NASD. In other words, a member should not consolidate quotation information from other systems or markets that are quoting the same security.

In addition, NASD is noting that, to the extent that members choose to use the services of a Reporting Agent, as permitted under proposed Rule 6630(e), to comply with the requirements of the proposed rule change, and that Reporting Agent calculates an inside bid and/or offer and submits that inside bid and/or offer to NASD, NASD will not use the inside bid or offer calculated by the Reporting Agent and submitted pursuant to the proposed rule for any commercial purposes. However, this would not limit or restrict NASD from otherwise calculating its own inside quote from quotation information received pursuant to the proposed rule change or otherwise and using such inside quote for purposes that it deems appropriate, consistent with NASD rules and the federal securities laws.

If you have any questions, please feel free to contact me at (202) 728-8176.

Very truly yours,

Stephanie M. Dumont
Associate General Counsel

cc: Nancy Sanow
SEC, Division of Market Regulation