

October 15, 2003

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-2003-007, Amendment No. 2 – Proposed Amendments to Membership Application Rules**

Dear Ms. England:

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934 (“Act”), the National Association of Securities Dealers, Inc. (“NASD”) hereby submits to the Securities and Exchange Commission (“SEC” or “Commission”) Amendment No. 2 to SR-NASD-2003-007 (the “Rule Filing”) relating to proposed amendments to Rules 1011, 1014, and 1017 to clarify the standards of membership admission.

Pursuant to discussions with Commission staff, NASD hereby proposes to make the following amendments to the Rule Filing (text added in this Amendment No. 2 is indicated by a double underline, text deleted in this Amendment No. 2 is indicated by a strikethrough).

1. In proposed Rule 1014(b), add the following language at the end of the paragraph:

(b) Granting or Denying Application

(1) In reviewing an application for membership, the Department shall consider whether the Applicant and its Associated Persons meet each of the standards in paragraph (a). Where the Department determines that the Applicant or its Associated Persons are the subject of any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E), a presumption exists that the application should be denied. The Applicant may overcome the presumption by demonstrating that it can meet each of the standards in paragraph (a), notwithstanding the existence of any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E).

2. In proposed Rule 1017(g), add the following language at the end of the paragraph:

(g) Department Decision

(1) The Department shall consider the application, the membership interview, other information and documents provided by the Applicant or obtained by the Department, the public interest, and the protection of investors. In rendering a decision on an application submitted under Rule 1017(a), the Department shall consider whether the Applicant and its Associated Persons meet each of the standards in Rule 1014(a). Where the Department determines that the Applicant or its Associated Person are the subject of any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E), a presumption exists that the application should be denied. The Applicant may overcome the presumption by demonstrating that it can meet each of the standards in Rule 1014 (a), notwithstanding the existence of any of the events set forth in Rule 1014(a)(3)(A) and (C) through (E).

3. In Rule 1017(h) Service and Effectiveness of Decision, we are correcting the underlining and brackets in the paragraph to show that we propose to replace the word “served” in the second sentence with the word “issued.” The change is intended to make the language in Rule 1017(h) consistent with the language in Rule 1014(e). The paragraph should read:

(h) Service and Effectiveness of Decision

The Department shall serve its decision on the Applicant in accordance with Rule 1012. The decision shall become effective upon service and shall remain in effect during the pendency of any review until a decision constituting final action by NASD [the Association] is ~~served~~issued under Rule 1015 or 1016, unless otherwise directed by the National Adjudicatory Council, the NASD Board, or the Commission.

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If you have any questions, please contact me at (202) 728-6903; e-mail:
kosha.dalal@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Kosha K. Dalal
Assistant General Counsel

Enclosures

cc: Andrew Shipe
Joseph Corcoran