

October 22, 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-2003-157, Amendment No. 1 – Permanent Approval of Fees for the Trade Reporting and Compliance Engine (TRACE)**

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. 1 to SR-NASD-2003-157 (the “Rule Filing”) proposing amendments to Rule 7010(k) relating to fees for TRACE and seeking permanent approval of the TRACE fee structure prior to the expiration of the pilot program for fees on January 31, 2004.

Pursuant to discussions with Commission staff, NASD hereby proposes to make the following amendments to the Rule Filing (text added in this Amendment No. 1 is indicated by a double underline, text deleted in this Amendment No. 1 is indicated by a strikethrough).

1. On Pages 25 and 53 of the Rule Filing, delete the following text:

The fee for the BTDS Professional Delayed-Time Data Display would be \$15 per month, per terminal, for each device receiving Delayed-Time TRACE transaction data.²⁰ Professionals subscribing for the BTDS Professional Real-Time Data Display Fee of \$60 per month, per terminal, to receive Real-Time TRACE transaction data would not pay this charge for Delayed-Time data in addition to the \$60 fee for Real-Time data. Subject to the execution of appropriate agreements with NASD, certain summary market information of Delayed-Time TRACE transaction data may be published or distributed by newspapers, press associations, newsletters, or similar media sources ~~(including in some cases members)~~ without charge. NASD is also proposing to clarify that charges for

BTDS Internal Usage and BTDS External Usage apply to Real-Time and/or Delayed-Time TRACE transaction data.

20. Transaction data for TRACE-eligible securities disseminated by NASD after this time frame will be provided free of charge. *

* Note that on Page 53, footnote 20 above is numbered footnote 21.

2. On Page 57 of the Rule Filing, delete Item 4, Self-Regulatory Statement on Burden on Competition, and subsection (b) Statutory Basis that follows because both are duplicative.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. In addition, NASD believes that the proposed rule change is consistent with Section 15A(b)(5) of the Act, which requires, among other things, that NASD's rules provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system that NASD operates or controls. NASD is seeking permanent approval of the TRACE fee structure and believes that the proposed fee structure is reasonable.

4. ~~Self-Regulatory Organization's Statement on Burden on Competition~~

~~NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.~~

(b) ~~Statutory Basis~~

~~NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that NASD's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. In addition, NASD believes that the proposed rule change is consistent with Section 15A(b)(5) of the Act, which requires, among other things, that NASD's rules provide for the equitable allocation of reasonable dues, fees,~~

Katherine A. England
Securities and Exchange Commission
October 21, 2003
Page 3 of 3

~~and other charges among members and issuers and other persons using any facility or system that NASD operates or controls. NASD is seeking permanent approval of the TRACE fee structure and believes that the proposed fee structure is reasonable.~~

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: Gordon Fuller
Mary Simpkins