

August 16, 2001

VIA FACSIMILE AND FIRST CLASS MAIL

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-2001-49, Amendment No. 1 - Amendment to Expiration Date of Rules Relating to Bond Mutual Fund Volatility Ratings

Dear Ms. England:

Pursuant to discussions on August 14, 2001 with Joe Morra of your office, NASD Regulation, Inc., hereby amends the above-numbered rule filing as follows (additions are underlined; deletions are bracketed):

The first paragraph of Item 1 of Form 19b-4, which appears on page 2 of the rule filing, should be changed as follows: "...a proposed rule change to amend Interpretive Material ("IM") 2210-5 to extend the expiration date of IM-2210-5 and NASD Rule 2210(c)(3) from August 31, 2001 [to] through August 31, 2003[, and to clarify that the filing requirements and review procedures applicable to sales literature that includes bond mutual fund volatility ratings, as set forth in NASD Rule 2210(c)(3), also will expire on August 31, 2001 absent further action by the NASD Regulation Board of Directors]." The same change should be in the first paragraph of Section I of Exhibit 1, which appears on pages 8 and 9 of the rule filing.

At the end of the sentence indicated above, which appears in Item 1 of Form 19b-4 on page 2 of the rule filing, a new footnote should be inserted as follows: In Securities Exchange Act Release No. 42476 (February 29, 2000), 65 FR 12305, the SEC approved IM-2210-5 and Rule 2210(c)(3) on a trial basis; this amendment clarifies in the language of IM-2210-5 that the trial period applies to Rule 2210(c)(3) as well as IM-2210-5. The same change should be made to the first paragraph of Section I of Exhibit 1 to the rule filing, which appears on pages 8 and 9.

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Footnote 1, which appears in Item 3(a) on page 5 of the rule filing, should be moved to the end of the first sentence of Item 3(a) on page 3. Similarly, footnote 3 of Exhibit I, which appears in Section II(A)(a) on page 11 of the rule filing, should be moved to the end of the first sentence of Section II(A)(a) on page 9.

Finally, NASD Regulation requested a waiver of the requirement set forth in Rule 19b-4(f)(6)(iii) that the rule change, by its terms, not become operative for 30 days after the date of the filing because if the requirement is not waived, the operation of the rule will be interrupted by the expiration provision currently contained in IM-2210-5. NASD Regulation believes it is consistent with the protection of investors and the public interest that such an interruption not occur.

If you have any questions, please contact Sarah Williams, Office of General Counsel, NASD Regulation, Inc. at (202) 728-8083.

Very truly yours,

Patrice M. Gliniecki
Vice President and
Deputy General Counsel