

Marc Menchel
Senior Vice President and
General Counsel

July 2, 2002

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-2002-87, Amendment No. 1 – To Establish Effective Dates For NASD Rule 2711, Research Analysts and Reports**

Dear Ms. England:

Pursuant to our conversations with the staff of the Division of Market Regulation, NASD hereby submits Amendment No. 1 to SR-NASD-2002-87 (the “rule filing”). The amendments to the rule filing are as follows (new language is underlined and deleted text is bracketed):

1. NASD is amending the last sentence of the second paragraph under Item 1(a) appearing on page 2 of the rule filing as follows:

Rule 2711(h)(2), when effective, will require a member to disclose in research reports all compensation received by it or its affiliates from a subject company for investment banking services in the past 12 months, or expected to be received in the next 3 months.

The same change should be made in Section I of Exhibit 1 appearing on page 13 of the rule filing.

2. The fifth paragraph under subheading “Small Firms, “Gatekeeper” Provisions, and Analyst Compensation” in Item 3(a) appearing on page 6 of the rule filing should be deleted in its entirety. In addition, the subheading “Small Firms, “Gatekeeper” Provisions, and Analyst Compensation” appearing on page 4 of the rule filing should be deleted and replaced with “Small Firms and “Gatekeeper” Provisions.”

3. NASD is amending the fourth paragraph under the subheading “Small Firms and “Gatekeeper” Provisions” in Section (II)(A)(a) of Exhibit 1 appearing on page 16 of the rule filing by including the following to the end of the paragraph:

As a further condition for the delayed implementation date, those firms that meet the eligibility requirements outlined above would be required to maintain records of communications that would otherwise be subject to the gatekeeper provisions of Rules 2711(b) and (c). NASD believes that for these members, provided they comply with the conditions described, the burdens of the specific provisions outweigh the benefits to the

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investing public. Moreover, relief from these provisions will preserve these firms' roles as sources for capital and research for smaller local and regional issuers.

4. NASD is amending the title to Exhibit 1 appearing on page 12 of the rule filing as follows:

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Establishing Effective Dates [of Rules Requiring Debt Securities Reporting and Dissemination (TRACE Rules)] for NASD Rule 2711, Research Analysts and Reports

5. NASD is replacing the reference to "Jonathan G. Katz, Secretary" in Section IV of Exhibit 1 appearing on page 21 of the rule filing with a reference to "Margaret McFarland, Deputy Secretary."

If you have any questions concerning this amendment, please contact Philip A. Shaikun, Office of General Counsel, NASD, at (202) 728-8451; e-mail philip.shaikun@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Marc Menchel
Senior Vice President and
General Counsel

cc: Larry Bergmann
James Brigagliano
Thomas Eidt