

Shirley H. Weiss
Associate General Counsel

Direct: (202) 728-8844
Fax: (202) 728-8264

February 20, 2004

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-2004-014 - Amendment No. 1 to Proposed Rule Change to Adopt Interpretative Material 3150 ("IM-3150") to Establish Exemptions From the Reporting Requirements of NASD Rule 3150

Dear Ms. England:

The National Association of Securities Dealers, Inc. ("NASD") hereby amends the above-referenced rule filing as described below. Proposed new language is underlined; proposed deletions are in brackets.

(1) Rule 3150(a) is amended to change "the Association" to "NASD" as follows.

(a) Each member that is a clearing firm or self-clearing firm shall be required to report to [the Association] NASD in such format as [the Association] NASD may require, prescribed data pertaining to the member and any member broker-dealer for which it clears. A clearing firm or self-clearing firm may enter into an agreement with a third party pursuant to which the third party agrees to fulfill the obligations of a clearing firm or self-clearing firm under this Rule. Notwithstanding the existence of such an agreement, each clearing firm or self-clearing firm remains responsible for complying with the requirements of this Rule.

(2) Rule 3150(b) is amended to add a comma after the word "members," as follows:

. . . exempt a member or class of members, unconditionally or on specified terms . . .

(3) IM-3150(c) is amended as follows.

(c) Any clearing or self-clearing firm that, due to a change in the facts pertaining to the operation and nature of its business[,] or the operation and nature of the business of a firm for which it clears, as applicable, no longer qualifies for an exemption previously granted by NASD from the reporting requirements of Rule 3150 must promptly report such change in circumstances to NASD, Department of Member Regulation, and commence compliance with the reporting requirements of Rule 3150.

(4) On pages 5 of 17 and 13 of 17:

(a) 2. members that conduct an institutional business and that settle transactions on an [DVP/RVP] RVP/DVP basis;

(b) Proposed IM-3150(a)(1) replaces the term "preponderance of their revenue" set forth in the June 20, 2002 letter with the phrase "at least 85 percent of [their] its revenue for the last two calendar years from fixed income securities."

(5) On pages 5 of 17 and 14 of 17:

Annualizing the 85 percent requirement allows firms to average their fixed income business over one year and takes into account daily, weekly, and monthly fluctuations in a firm's sources of revenue.

(6) On pages 6 of 17 and 14 of 17:

(a) NASD is proposing to modify the language of the exemption pertaining to "members that conduct no traditional retail securities business . . .

(b) Additionally, under proposed IM-3150(b), NASD may grant an exemption . . .

(7) Footnote 3 on page 8 of 17: 17 CFR 240.19b-4(f)[(6)](1).

Katherine A. England
February 20, 2004
Page 3

If you have any questions, please contact me at (202) 728-8844; e-mail Shirley.Weiss@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

Shirley H. Weiss

cc: Sheila Swartz