

Proposed Rule Change by National Association of Securities Dealers
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>			<input checked="" type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Rule Change to Revise the Effective Date of Certain Amendments to NASD's Order Audit Trail System Rules

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
 Title
 E-mail
 Telephone Fax

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date
 By Vice President and Associate General Counsel
 (Name) (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ the National Association of Securities Dealers, Inc. ("NASD") is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change to establish July 10, 2006 as the effective date of the amendments to NASD's Order Audit Trail System (OATS) rules approved by the Commission on September 28, 2005² and March 30, 2006.³

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.⁴

* * * * *

6950. Order Audit Trail System

* * * * *

6957. Effective Date

The requirements of the Order Audit Trail System shall be effective in accordance with the following schedule:

¹ 15 U.S.C. 78s(b)(1).

² See Securities Exchange Act Release No. 52521 (September 28, 2005), 70 FR 57909 (October 4, 2005) (File No. SR-NASD-00-23). See also *Notice to Members 05-78* (November 2005).

³ See Securities Exchange Act Release No. 53580 (March 30, 2006), 71 FR 17529 (April 6, 2006) (File No. SR-NASD-2006-040). See also *Notice to Members 06-15* (April 2006).

⁴ The proposed changes indicated below are based on rule text approved by the SEC on September 28, 2005 and March 30, 2006, which become effective May 8, 2006. See supra notes 2 and 3.

(a) and (b) No Change.

(c) Manual Orders

The requirements of the Order Audit Trail System shall be effective on July 10, 2006[six months after publication of the revised *OATS Reporting Technical Specifications*] relating to SR-NASD-00-23, for all manual orders, provided that firms shall be required to report information item (18) specified in Rule 6954(b) only to the extent such item is available to them.

(d) No Change.

* * * * *

6958. Exemption to the Order Recording and Data Transmission Requirements

(a) through (b) No Change.

(c) This Rule shall be in effect until July 10, 2011[May 8, 2011].

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Governors of NASD ("Board") and authorized for filing with the SEC pursuant to a delegation of authority granted by the Board at its meeting on January 23, 2003, to the General Counsel of NASD Regulatory Policy and Oversight (or his officer designee) ("Delegation of Authority") to file, without further specific Board authorization, administrative, technical, conforming, and non-substantive changes to NASD rules.

Counsel for The Nasdaq Stock Market and NASD Dispute Resolution were

provided an opportunity to consult with respect to the proposed rule change pursuant to the Plan of Allocation and Delegation of Functions by NASD to its Subsidiaries. The staff will advise the Board of any action taken pursuant to the Delegation of Authority. No other action by NASD is necessary for the filing of this proposed rule change. Section 1(a)(ii) of Article VII of the NASD By-Laws permits the NASD Board of Governors to adopt amendments to NASD Rules without recourse to the membership for approval.

NASD has filed the proposed rule change for immediate effectiveness. NASD will announce the new effective date within 5 business days of the filing this rule change.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

NASD is proposing to establish July 10, 2006 as the effective date of the amendments to NASD's OATS rules approved by the Commission on September 28, 2005 and March 30, 2006. Specifically, on September 28, 2005, the SEC approved amendments to Rules 6950 through 6957 (OATS Rules) relating to OATS.⁵ The amendments to the OATS Rules: (1) implement the OATS reporting requirements for manual orders (OATS Phase III); (2) provide that members are required to capture and report the time the order is received by the member from the customer for all orders; (3) expand the order transmittal requirements to include orders routed to a member's trading desk or trading department; (4) exclude certain members from the definition of "Reporting Member" for those orders that meet specified conditions and are recorded and

⁵ See supra note 2.

reported to OATS by another member; and (5) permit NASD to grant exemptive relief from the OATS reporting requirements in certain circumstances to members that meet specified criteria.

On March 30, 2006, the SEC approved further amendments to the OATS Rules that expand NASD's OATS exemptive authority to include electronic recording requirements.⁶ As amended, NASD has the authority to grant exemptive relief from the OATS electronic recording and reporting requirements for manual orders to members that meet specified criteria.

The current effective date of these amendments is May 8, 2006. Since approval of these amendments, several firms and service bureaus have requested that the effective date of the amended OATS requirements be extended, noting the significant technological changes required to implement the OATS requirements for manual orders in particular. NASD understands the concerns raised and believes that extending the effective date of the recent amendments to the OATS Rules until July 10, 2006 will greatly assist firms and service bureaus by providing additional time to ensure that all the necessary system changes can be tested and implemented, thereby helping to ensure the integrity and accuracy of OATS data.

Accordingly, NASD is proposing to establish July 10, 2006 as the effective date of the amendments to NASD's OATS Rules approved by the Commission on September 28, 2005 and March 30, 2006. In doing so, NASD also is proposing amendments to Rules 6957(c) and 6958(c) to reflect the amended effective date.

⁶ See supra note 3.

NASD has filed the proposed rule change for immediate effectiveness. NASD will announce the effective date within 5 business days of the filing of this rule change.

(b) Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁷ which requires, among other things, that NASD 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. NASD believes that extending the effective date of the recent amendments to the OATS Rules will provide firms and service bureaus more time to make necessary system changes to ensure compliance with the amended OATS requirements.

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.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

While NASD did not specifically solicit comment on the proposed rule change, NASD received one written comment letter regarding certain implementation issues and concerns.⁸ Specifically, the commenter contends that release of the *OATS Reporting Technical Specifications* and subsequent clarification from NASD staff regarding the OATS reporting requirements highlighted new development requirements that were not

⁷ 15 U.S.C. 78o-3(b)(6).

⁸ See Letter from Financial Information Forum, on behalf of FIF Service Bureau Committee, to Paul McKenney, NASD.

accounted for in their original implementation planning. As such, the commenter requests that NASD extend the time for testing and extend the compliance date for the amended OATS reporting requirements. As described herein, NASD is proposing to extend the effective date of the recent amendments to the OATS Rules to provide additional time for firms and service bureaus to make necessary system changes to ensure compliance with the amended OATS requirements.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act⁹ and paragraph (f)(1) of Rule 19b-4 thereunder,¹⁰ in that the proposed rule change constitutes a stated policy, practice or interpretation with respect to the meaning, administration or enforcement of an existing rule.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 2. Letter from Financial Information Forum to Paul McKenney, NASD.

⁹ 15 U.S.C. 78s(b)(3).

¹⁰ 17 CFR 240.19b-4(f)(1).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NASD-2006-052)

Self-Regulatory Organizations: National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Revise the Effective Date of Certain Amendments to NASD's Order Audit Trail System Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on , the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD. NASD has designated the proposed rule change as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule" under Section 19(b)(3)(A)(i) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

NASD is proposing to establish July 10, 2006 as the effective date of the amendments to NASD's Order Audit Trail System (OATS) rules approved by the Commission on September 28, 2005⁵ and March 30, 2006.⁶

Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.⁷

* * * * *

6950. Order Audit Trail System

* * * * *

6957. Effective Date

The requirements of the Order Audit Trail System shall be effective in accordance with the following schedule:

(a) and (b) No Change.

(c) Manual Orders

The requirements of the Order Audit Trail System shall be effective on July 10, 2006[six months after publication of the revised *OATS Reporting Technical Specifications*] relating to SR-NASD-00-23, for all manual orders, provided that firms

⁵ See Securities Exchange Act Release No. 52521 (September 28, 2005), 70 FR 57909 (October 4, 2005) (File No. SR-NASD-00-23). See also *Notice to Members 05-78* (November 2005).

⁶ See Securities Exchange Act Release No. 53580 (March 30, 2006), 71 FR 17529 (April 6, 2006) (File No. SR-NASD-2006-040). See also *Notice to Members 06-15* (April 2006).

⁷ The proposed changes indicated below are based on rule text approved by the SEC on September 28, 2005 and March 30, 2006, which become effective May 8, 2006. See *supra* notes 5 and 6.

shall be required to report information item (18) specified in Rule 6954(b) only to the extent such item is available to them.

(d) No Change.

* * * * *

6958. Exemption to the Order Recording and Data Transmission Requirements

(a) through (b) No Change.

(c) This Rule shall be in effect until July 10, 2011[May 8, 2011].

* * * * *

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASD has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NASD is proposing to establish July 10, 2006 as the effective date of the amendments to NASD's OATS rules approved by the Commission on September 28, 2005 and March 30, 2006. Specifically, on September 28, 2005, the SEC approved amendments to Rules 6950 through 6957 (OATS Rules) relating to OATS.⁸ The amendments to the OATS Rules: (1) implement the OATS reporting requirements for

⁸ See supra note 5.

manual orders (OATS Phase III); (2) provide that members are required to capture and report the time the order is received by the member from the customer for all orders; (3) expand the order transmittal requirements to include orders routed to a member's trading desk or trading department; (4) exclude certain members from the definition of "Reporting Member" for those orders that meet specified conditions and are recorded and reported to OATS by another member; and (5) permit NASD to grant exemptive relief from the OATS reporting requirements in certain circumstances to members that meet specified criteria.

On March 30, 2006, the SEC approved further amendments to the OATS Rules that expand NASD's OATS exemptive authority to include electronic recording requirements.⁹ As amended, NASD has the authority to grant exemptive relief from the OATS electronic recording and reporting requirements for manual orders to members that meet specified criteria.

The current effective date of these amendments is May 8, 2006. Since approval of these amendments, several firms and service bureaus have requested that the effective date of the amended OATS requirements be extended, noting the significant technological changes required to implement the OATS requirements for manual orders in particular. NASD understands the concerns raised and believes that extending the effective date of the recent amendments to the OATS Rules until July 10, 2006 will greatly assist firms and service bureaus by providing additional time to ensure that all the

⁹ See supra note 6.

necessary system changes can be tested and implemented, thereby helping to ensure the integrity and accuracy of OATS data.

Accordingly, NASD is proposing to establish July 10, 2006 as the effective date of the amendments to NASD's OATS Rules approved by the Commission on September 28, 2005 and March 30, 2006. In doing so, NASD also is proposing amendments to Rules 6957(c) and 6958(c) to reflect the amended effective date.

NASD has filed the proposed rule change for immediate effectiveness. NASD will announce the effective date within 5 business days of the filing of this rule change.

2. Statutory Basis

NASD believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁰ which requires, among other things, that NASD 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. NASD believes that extending the effective date of the recent amendments to the OATS Rules will provide firms and service bureaus more time to make necessary system changes to ensure compliance with the amended OATS requirements.

B. 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.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

While NASD did not specifically solicit comment on the proposed rule change,

¹⁰ 15 U.S.C. 78o-3(b)(6).

NASD received one written comment letter regarding certain implementation issues and concerns.¹¹ Specifically, the commenter contends that release of the *OATS Reporting Technical Specifications* and subsequent clarification from NASD staff regarding the OATS reporting requirements highlighted new development requirements that were not accounted for in their original implementation planning. As such, the commenter requests that NASD extend the time for testing and extend the compliance date for the amended OATS reporting requirements. As described herein, NASD is proposing to extend the effective date of the recent amendments to the OATS Rules to provide additional time for firms and service bureaus to make necessary system changes to ensure compliance with the amended OATS requirements.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and paragraph (f)(1) of Rule 19b-4 thereunder.¹³ At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

¹¹ See Letter from Financial Information Forum, on behalf of FIF Service Bureau Committee, to Paul McKenney, NASD.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(1).

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NASD-2006-052 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASD-2006-052. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of NASD.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASD-2006-052 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Nancy M. Morris

Secretary

¹⁴ 17 CFR 200.30-3(a)(12).

FINANCIAL INFORMATION FORUM

5 Hanover Square
New York, New York 10004

212-422-8568

Mr. Paul McKenney
OATS Team Leader, NASD

Dear Paul:

We appreciate your involvement in our Service Bureau Committee as our point person with respect to implementation issues relating to OATS Phase 3. Members of the FIF Service Bureau Committee include the major service bureaus and several broker dealers all of whom have been actively working on implementing Phase 3. As we approach the testing phase of implementation, we would like to take this opportunity to elaborate on our implementation progress and raise implementation concerns for your consideration.

Our original comment letter submitted on July 25, 2005 was based on a review of SEC Release No. 34-51890; File No. SR-NASD-00-23, and recommended 180 days from the release of the technical specification for implementation with a test environment available 60 days prior to the compliance date. This estimate was based on developing additional OATS reporting functionality as follows:

- Extending OATS reporting to manual orders
- Modification of the definition of order receipt time to the time of receipt from the customer for all orders
- Creation of a desk report when routing an order between departments (e.g., from the institutional sales desk to the trading desk)
- Requiring firms formerly exempt from reporting (due to strictly manual order handling) to begin OATS reporting

Subsequent to the submission of our comment letter NASD issued Amendment 3 of the release on September 14 with accelerated approval granted on September 28. Implementation times set in the release were 6 months for implementation with at least six weeks for testing. We appreciate the consideration given to our implementation timing requests.

With the release of the technical specifications and subsequent clarification from NASD staff, we would like to highlight the new development requirements that emerged that were not accounted for in our original implementation timing recommendation.

Definition of Order Receipt Time:

The approved release and subsequent conversations clarified that order receipt time is based on the customer's perspective as to when their order has been received by the broker-dealer. This definition was modified and the order receipt time is now defined based on Rule 17a-3(a)(6)

Requiring Desk Reports for Intra-Firm Routing Prior to Receipt at the Trading

Department:

Amendment 2 to SR-NASD-00-23, published in the Federal Register on June 27, 2005, referenced a requirement to provide transmittal information for orders that were not originally received at the trading department. However, in addition to uncertainty as to whether these requirements would ultimately be approved, details on exactly how these transmittals would be reported were not available until the publication of the Technical Specifications on November 11, 2005.

The technical specifications, while outlining the technical implementation requirements for Desk Reports, do not contain scenarios that address this issue directly. Upon further review, this requirement has proven to be a significant implementation consideration. While recording and reporting is not required for a routed order identifier from another firm,¹ the system integration required to provide intra-firm Desk Reports is not fundamentally different within a firm that needs to track the unique ID across disparate third party and internal systems.

From the vendor perspective, it is a tremendous undertaking to modify and test each interface between our OMS and other vendor or proprietary systems to accommodate the requirements of generating intra-firm Desk Reports to capture the movement of orders prior to receipt at the Trading Desk. While currently critical order information is passed between, for example, a Sales Trader application and a Trader OMS, additional information is now required in order to ensure that consistent information is reported to OATS by both systems (primarily OrderID).

The movement of an order manually from system to system within a firm is an even more problematic, yet relatively common practice within departments. Scenarios include:

- Order received into an OMS and manually entered into a DMA (or any other) system.
- Orders received into an OMS and printed for manual entry into another system
- Orders received into an OMS, bunched and/or split and entered into a DMA (or any other) system
- Orders manually routed to an ECN or broker on a "terminal" provided by that entity

The requirement to capture and report a consistent OrderID for order events captured in disparate systems with no electronic linkage involves development of completely new interfaces or methods of sharing information across these systems.

For some firms, the implementation impact of accommodating this level of reporting logic into existing OATS compliant systems amounts to a significant re-write in order to:

- Transition systems from independently generating Order IDs to accommodating Order ID input from another system or via manual entry
- Adding data from external systems into the OMS in order to evaluate intra-department routing against the OATS reporting requirements. In addition to tracking order IDs, timing must also be factored into the logic since a desk report is not required if the intra-department routing took less than a second.

Other Technical Modifications:

Additional changes have been included in the technical specifications that were not referenced in any of the rule filings related to OATS Phase 3. These changes include

- Two new special handling codes (Directed Orders and Timed Orders)
- New required format for the Routed Order ID and Sent To Routed Order ID
- Order shares quantity added to two record types
- TMO trigger timestamp added to five record types

Simply put, addressing these additional requirements not only increases the development effort required but also strengthens the need for robust testing before enforcement of Phase 3 reporting. We feel strongly that the six weeks of testing is not sufficient to ensure strict compliance with all aspects of Phase 3 functionality given what we now understand to be the magnitude of the originally proposed, and subsequently added, technical requirements. Thus,

¹ See Section C. *Recording and Reporting a Routed Order Identifier* page 57912, Federal Register / Vol. 70, No. 191 / Tuesday, October 4, 2005 / Notices

we respectfully ask that you consider implementation options that will promote an orderly and effective transition to Phase 3 reporting including:

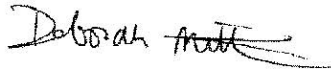
- Extend the test window an additional four weeks
- Extend the compliance date for desk reporting functionality only for four weeks
- Enable Phase 3 functionality but defer enforcement for four weeks until technical issues with reporting can be identified and resolved.

Our members are committed to providing OATS Phase 3 compliant systems and services in accordance with NASD guidelines. Please let us know your thoughts on addressing the concerns outlined above.

Sincerely,



Bob Linville, ADP/SIS
Service Bureau Committee Co-Chair



Deborah Mittelman, SunGard
Service Bureau Committee Co-Chair