

August 4, 2005

Barbara Sweeney
Office of Corporate Secretary
NASD
1735 K Street, NW
Washington, D.C. 20006-1506
pubcom@nasd.com

Re: Notices to Members 05-40 Request for Comment
Proposal to Prohibit all Product-Related Sales Contests and to Apply Non-Cash
Compensation Rules to All Securities

Dear Ms. Sweeney;

The National Society of Compliance Professionals (“NSCP”) wishes to submit this letter in general support of the rule proposal referenced in Notice to Members 05-40. The NSCP concurs that sales contests and non-cash compensation which are preconditioned on sales of specific securities present a conflict of interest and as such are inappropriate.

The NSCP is the largest organization of securities industry professionals devoted exclusively to compliance. Since its founding in 1987, it has grown to over 1,430 members. The constituency from which its membership is drawn is unique. While compliance and legal personnel from the largest brokerage and investment management firms are counted among its ranks, the membership is more diverse than those of other similar non-profit organizations. NSCP’s membership is drawn from traditional broker-dealers, investment advisers, bank and insurance affiliated firms, as well as the Law, Accounting, and Consulting firms that serve them.

The NSCP agrees to the definition of “sales contests” as proposed in the Notice. In regard to its proposed changes to the existing rules regarding non-cash compensation, the NSCP asks for clarification regarding the definition of “securities” such that if the rule is meant to be all encompassing, then it is adequately succinct. For instance, the NASD should specifically clarify whether exempt and unregistered securities fall under the rule as proposed.

In connection with its rule changes regarding gifts, the NSCP asks the NASD consider bringing a proposal to the Board of Governors that would raise the current gift limit of \$100 to \$250, such that the threshold amount would take into consideration inflation, increases in the cost of living, and other such conditions.

Further, the NSCP asks the NASD to specifically eliminate any dollar amount or other restriction for gift(s) given to the client or his/her family members in connection with a ‘by-invitation’ event initiated by the customer (such as a wedding), subject to a standard of reasonableness. This specific exemption would provide useful guidance to members

in defining their internal policies, with little potential for inappropriateness or conflict of interest related to the professional relationship among the parties.

On behalf of the NSCP, I would like to thank the NASD for the opportunity to comment on the proposed rule.

Best regards,

Joan Hinchman
Executive Director, President and CEO

"NSCP... setting the standard for excellence in the securities compliance profession."