



The VOICE of the Independent Broker/Dealer

June 11, 2007

Nancy Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street
Washington, DC 20549-9303

Re: Files Nos. SR-NASD 2006-044 and SR-NYSE-2006-06; Proposed Amendments to NASD Rule 3060 and NYSE 350A Relating to Business Entertainment

Dear Ms. Morris:

Serving as an advocate for small and independent firms for over 25 years, the National Association of Independent Broker-Dealers ("NAIBD") and its board of directors work together with independent broker-dealer owners & principals, industry product & service providers, and the SEC, NASD, and state's regulatory organizations to improve the securities industry as a whole. Recognizing the specific needs of independent broker-dealers (which make up over 85 percent of all US securities firms), the NAIBD provides specialized, widely acclaimed advocacy by hosting national informational meetings, catering specialized website programs, rapidly distributing critical regulatory details and product/service offers, supplying feedback to SEC, NASD, and state regulators, and offering regular networking meetings and other events.

The NAIBD is pleased to offer comment in response to the above-referenced rule filings (the "Proposals") which would adopt new rules and interpretive guidance governing business entertainment practices by member firms and their associated persons.

We recognize the importance of guidelines and limitations that would help eliminate conflicts of interest resulting from inappropriate business entertainment practices, while concurrently acknowledging the general legitimacy of business entertainment in our industry. Of course, we are also sensitive to the broad discrepancies between those resources available to larger versus smaller firms in respect to both the budget for entertainment, and the tools necessary to monitor same. Therefore we support the special exemption from record-keeping requirements provided for those firms with budgets under \$7500 in the category of business entertainment.

We also support the record-keeping exemption of expenditures of less than \$50 per day with specific individuals or firms. We ask that you clarify the release to note that the \$50 exemption is applicable to each firm and/or individual. That avoids having to keep records where a firm representative may entertain one client at lunch and then another separate and distinct client at dinner. NAIBD generally supports the principles-based approach taken in the Proposals. We believe that member firms are in the best position to define their business and determine appropriate forms of entertainment as well as gifts. We believe that in most instances that you will find that member firms manage the expenses of the process just as they do other expenses of their business.

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We feel that expansion of the term "family members" is required in order to include more distant relatives such as grandparents, aunts, uncles and other relatives outside the immediate family.

In regard to the Proposals' definition of "associated persons" we suggest that covered "associated persons" should be limited to those with client-facing duties, but that clerical, operational and others whose primary duties do not present significant conflict are carved out of the record-keeping requirements. We suggest that you not allow firm officers to be exempted from the record keeping process to eliminate any potential concern you may have with this "carve out".

The Proposals require that members maintain detailed records of the nature and cost of business entertainment, and make such information available to customers upon request. NAIBD requests clarification of the scope, frequency, and composition of the data a firm would be expected to provide to a customer. For instance, would a firm be permitted to limit its response to details regarding entertainment to that particular customer and/or its representatives? Or, would a firm be justified in providing data as of a certain time frame, such as the most recent quarter end? We recommend that you require that firms keep records first by firm and then by individual entertained. We also recommend that you require firms update their records on a quarterly basis.

On behalf of our membership, we appreciate the opportunity to comment on the proposal. Please let us know if we can provide clarification or additional information.

Sincerely,

Board of Directors
NAIBD

cc: The Honorable Christopher Cox, Chairman
The Honorable Paul S. Atkins, Commissioner
The Honorable Roel C. Campos, Commissioner
The Honorable Annette L. Nazareth, Commissioner
The Honorable Kathleen L. Casey, Commissioner
Elisse B. Walter, NASD, Senior Executive Vice President
Marc Menchel, NASD Executive Vice President and General Counsel
Richard G. Ketchum, NYSE Regulation, Chief Executive Officer
Grace B. Vogel, NYSE Regulation, Executive Vice President
Mary Schapiro, CEO & Chairman of NASD

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