



April 16, 2007

BY E-MAIL TO: rule-comments@sec.gov

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File No. SR-NASD-2007-023; Proposed Rule Change to Amend the By-Laws of NASD to Implement Governance and Related Changes to Accommodate the Consolidation of the Member Firm Regulatory Functions of NASD and NYSE Regulation, Inc.

Dear Ms. Morris:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the above-referenced rule filing submitted to the Securities and Exchange Commission (“Commission”) by NASD, Inc. (“NASD”) in connection with the planned consolidation of the member regulation operations of NASD and the New York Stock Exchange (“NYSE”) into a combined organization (the “New SRO”) that will be the sole U.S. private-sector provider of member firm regulation for securities firms that do business with the public. SIFMA strongly supports the planned consolidation and wholeheartedly agrees with NASD’s statements in its filing that the consolidation “will streamline the broker-dealer regulatory system, combine technologies, permit the establishment of a single set of rules and group examiners with complementary areas of expertise in a single organization—all of which will serve to enhance oversight of U.S. securities firms and help ensure investor protection.” To that end, SIFMA supports the proposed governance changes for the New SRO that are described

¹ The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA’s mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public’s trust and confidence in the markets and the industry. SIFMA works to represent its members’ interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

in NASD's rule filing. We urge the Commission to approve these changes promptly, and we are hopeful that the planned consolidation will be completed within the time frames as soon as practicable.

Looking forward, SIFMA believes that one of the most important benefits of the consolidation will be the creation of a single rulebook for member firms, which we believe will eliminate the unnecessarily duplicative, and sometimes conflicting, rules applicable to the many member firms that are dual-members of NASD and NYSE. We are confident that the creation and implementation of a single rulebook will be a top priority for the New SRO. In this regard, we trust that, in developing the single rulebook, the New SRO will, to the greatest extent possible, implement notions of prudential and principles-based regulation.

In addition, we note that for the past year SIFMA and its members have helped to coordinate a comprehensive review and comparison of the NASD and NYSE rules. As part of this "Rules Harmonization" project, industry representatives conducted a thorough and detailed review of the SROs' rules, identified differences between corresponding NYSE and NASD rules, and developed recommendations for harmonizing inconsistent rules. NASD and NYSE representatives also participated in the process, and offered invaluable assistance by providing comments and regulatory history to industry representatives. In July 2006, we provided our recommendations to NASD and NYSE, which subsequently indicated a substantial amount of agreement with our views on areas for potential harmonization. We view the Rules Harmonization project as a considerable success.

SIFMA commends and greatly appreciates the considerable effort expended by NASD and NYSE over the past year to identify, rationalize and eliminate duplicative and inconsistent rules through the Rule Harmonization project. We are particularly pleased that both NASD and NYSE have taken specific steps to implement the industry recommendations developed during the Rules Harmonization project.² SIFMA strongly believes that constructive interaction and dialogue between the industry and the SROs ultimately yields well-informed, cost-effective regulation. It is our sincere hope that the extensive efforts expended during the Rules Harmonization project by the SROs and the industry will operate as a precursor to the New SRO's development and implementation of a single rulebook. We stand ready to provide our continued assistance to NASD and NYSE, as well as to the New SRO, so that the process for developing and implementing the single rulebook makes use of, and builds upon, the consultative process that made the Rules Harmonization project such a great success.

² See NASD Notice to Members 07-12 (seeking input on proposed amendments to NASD Rule 3010(g) to eliminate the definition of Office of Supervisory Jurisdiction ("OSJ") and amendments to NASD Rule 2711 to define the term "initial public offering" consistent with the definition under NYSE Rule 472; NYSE Rule Filing No. SR-NYSE-2007-22 (proposing comprehensive amendments to several NYSE rules to reconcile them with corresponding NASD requirements).

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Once again, we strongly support the planned consolidation of member regulation functions into the New SRO, and we strongly support NASD's proposed governance changes related to the consolidation. If you have any questions or require further information, please feel free to contact me at 202-434-8440 or Amal Aly, SIFMA Vice President and Associate General Counsel, at (212) 618-0568.

Very truly yours,



Ira D. Hammerman
Senior Managing Director and General Counsel

cc: The Hon. Christopher Cox, Chairman
The Hon. Paul S. Atkins, Commissioner
The Hon. Roel C. Campos, Commissioner
The Hon. Kathleen L. Casey, Commissioner
The Hon. Annette L. Nazareth, Commissioner
Dr. Erik R. Sirri, Director, Division of Market Regulation

Mary L. Schapiro, Chairman and Chief Executive Officer, NASD, Inc.
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