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June 10, 2003

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: Reduction of Reporting Period; SR-NASD-2003-78

Dear Mr. Katz:

The Bond Market Association (Association)¹ is pleased to submit this comment letter to the Securities and Exchange Commission ("SEC" or "Commission") in connection with the proposal by the NASD (the "Proposal")² to reduce from 75 minutes to 45 minutes the period to report a transaction in a TRACE-eligible debt security to the NASD through its Trade Reporting and Compliance Engine ("TRACE").

Background

Presently, under the NASD's Rule 6230, a member that is a party to a transaction in a TRACE-eligible security is generally required to report the transaction information to TRACE within 75 minutes of the time of execution. The NASD has proposed to reduce the period to report from 75 to 45 minutes, effective as of October 1, 2003. The stated purpose for the reduction of the reporting period is to cause trade information to reach the market in a timelier manner, thereby furthering the NASD's goals with respect to improving transparency under TRACE.³ The NASD, the SEC and the industry have publicly discussed reduction of the reporting period for several years.

¹ The Association represents securities firms and banks that underwrite, distribute, and trade in fixed income securities, both domestically and internationally. More information about the Association is available on its web site, <http://www.bondmarkets.com>. The Association's Corporate Credit Markets Division Executive, Legal Advisory, High Yield and Investment Grade Committees have been consulted in providing these comments.

² See Securities Exchange Act Release No. 47856 (May 14, 2003), 68 FR 27605 (May 20, 2003) (the "Proposing Release").

³ Proposing Release, at 27606.

The current 75-minute period was approved by the SEC, after several phases of discussion about the appropriate reporting period, to allow firms to report transactions through the National Securities Clearing Corporation (“NSCC”). The basis for approving the 75-minute period was that the NASD planned to reduce the reporting period substantially after TRACE became operational. The NSCC has publicly committed to support the proposed 45-minute reporting requirement.⁴

The Proposal is supported by statistical evidence from TRACE data, which indicates that the industry generally is technologically capable of implementing the reduced reporting period. In the fourth quarter of 2002, eighty-three percent (83%) of all trades reported to TRACE were reported within 45 minutes of execution.⁵ The NASD has committed to work with firms that are not currently able to report trades within 45 minutes generally before the planned date of implementation, October 1, 2003, to assist such firms to be able to comply.

TBMA Supports the Proposal

Consistent with the Association’s support for the NASD’s efforts to date to improve transparency in the corporate bond markets, we strongly support the Proposal because we believe it will provide timelier and therefore more useful trade information to investors and other market participants that will support and increase the efficiency of the markets for the bonds that are subject to the transparency requirements.

We note that the NASD indicated in the Proposing Release that it intends to further narrow the reporting window under TRACE to 15 minutes by mid-year 2004.⁶ As a general matter, we support further efforts to enhance the timeliness of trade reports, contingent on further efforts to develop reporting mechanisms that make such efforts feasible. In particular, firms that depend on reporting through the NSCC or through a Web browser interface would not be able to meet a 15-minute reporting requirement in all cases without substantial further improvements in those reporting mechanisms.

Further, it should be clear that narrowing the time requirements for reporting trade information does not presuppose that all information reported should be disseminated, or that all information that is disseminated should be disseminated on a “real-time” basis. The NASD is engaged in the process of evaluating the potential impact of transparency requirements on the market for high yield and less actively-traded bonds before determining whether and how to propose further increases in transparency requirements, and these issues must continue to be carefully considered apart from the timeliness of trade reporting.

⁴ Proposing Release, at 27607.

⁵ *Id.*

⁶ *Id.* at 27606

The Association appreciates the opportunity to comment on the Proposal. If you have any questions with regard to these comments, please contact the undersigned, or John Ramsay, Senior Vice President and Regulatory Counsel, at 646.637.9230, with any questions.

Sincerely,

Michele C. David
Vice President
and Assistant General Counsel

cc: ***Securities and Exchange Commission***

William H. Donaldson, Chairman
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Harvey J. Goldschmid, Commissioner
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