



September 13, 2006

Ms. Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**RE: File No. SR-NASD-2006-064 – Response to Comments on Proposed Rule Change to Add New Rule 3160 Relating to Extension of Time Requests**

Dear Ms. Morris:

NASD hereby submits its response to comments received by the Securities and Exchange Commission (“Commission” or “SEC”) to SR-NASD-2006-064, a proposal to require (1) all clearing firm members for which NASD is the designated examining authority (“DEA”) pursuant to Rule 17d-1 under the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> to submit to NASD requests for extensions of time under Regulation T promulgated by the Federal Reserve Board,<sup>2</sup> or pursuant to Rule 15c3-3(n) under the Act,<sup>3</sup> and (2) each clearing firm member for which NASD is the DEA to file a monthly report with NASD indicating all broker-dealers for which it clears that have overall ratios of requested extensions of time to total transactions for the month that exceed a percentage specified by NASD.<sup>4</sup> The proposed rule change and Amendment No. 1 and

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<sup>1</sup> 17 CFR 240.17d-1.

<sup>2</sup> 12 CFR 220.4(c) and 220.8(d).

<sup>3</sup> 17 CFR 240.15c3-3.

<sup>4</sup> NASD originally filed SR-NASD-2006-064 on May 15, 2006. NASD filed Amendment No.1 to SR-NASD-2006-064 on May 25, 2006 to make technical corrections and filed Amendment No. 2 on July 25, 2006 in response to comments from the SEC staff.

No. 2 thereto were published for comment in the Federal Register on August 10, 2005.<sup>5</sup> The Commission received one letter in response to the proposed rule change.<sup>6</sup>

The commenter agreed with the proposal to require all clearing firm members for which NASD is the DEA to submit requests for extensions of time to NASD. However, the commenter, a self-clearing broker-dealer that does not clear for any other broker-dealer, believes that the monthly reporting requirement would impose an undue burden on self-clearing firms. In particular, the commenter noted that the proposed reporting requirement would apply to both clearing and self-clearing firms, notwithstanding the fact that NASD could monitor extension request data for self-clearing firms based on such firms' FOCUS data. The commenter requested that the proposed rule be amended to impose the monthly reporting requirement solely on clearing firms that clear for other firms.

NASD did not intend for the proposed reporting requirement to apply to self-clearing firms that do not clear for others. As discussed in the rule filing, the purpose of the reporting requirement is to require clearing firms to provide NASD with information regarding their introducing firms' extension of time requests to permit NASD to monitor such requests. Accordingly, self-clearing firms that do not also clear for other firms would not be required to file these reports because such firms do not have any introducing broker extension information to provide to NASD. Assuming the SEC approves the proposed rule change, NASD will reiterate this position in the Notice to Members announcing such approval.

NASD believes that the foregoing fully responds to the issues raised by the commenter to the rule filing. Please feel free to call me at (202) 974-2974 if you have any questions or wish to discuss this further.

Sincerely,



Kathryn M. Moore  
Assistant General Counsel,  
Regulatory Policy and Oversight

cc: Sheila Swartz

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<sup>5</sup> Securities Exchange Act Release No. 54265 (August 2, 2006), 71 Fed. Reg. 45879 (August 10, 2006). The comment period closed on August 31, 2006.

<sup>6</sup> Letter from Dennis A Young, Vice President/Treasurer, Cossé International Securities, Inc. to Nancy M. Morris, Secretary, SEC (letter dated August 31, 2006).