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OFFICE OF THE GENERAL COUNSEL

June 6, 2007

Nancy M. Morris
Secretary
United States Securities and Exchange Commission
100 F Street, N. E.
Washington, D. C. 20549-1090

RE: File No. SR-NASD-2006-124

Dear Ms. Morris:

The Securities Investor Protection Corporation ("SIPC") appreciates the opportunity to comment on proposed NASD Rule 2342. As amended, the proposed rule would require NASD members to provide, in writing, certain information about SIPC to new customers, at the opening of their accounts, and to provide the same information to all other customers at least once each year. Excluded from this requirement would be brokers or dealers registered under section 15(b) of the Securities Exchange Act of 1934, 15 U.S.C. §78o(b), but exempt from SIPC membership under section 3(a)(2)(A)(i)-(iii) of the Securities Investor Protection Act ("SIPA"), 15 U.S.C. §78ccc(a)(2)(A)(i)-(iii). Also exempt would be brokers or dealers exclusively offering investments that are "ineligible for SIPC protection." Since investors are protected under SIPA only against the loss of their cash on deposit in connection with securities trading and their securities custodied with the broker-dealer, "investments ineligible for SIPC protection" would be those that are not "securities," as defined in section 16(14) of SIPA, 15 U.S.C. §78lll(14). Thus, broker-dealers offering products that are not "securities" under SIPA also would be exempt from the requirements of the proposed rule. The information to be provided generally consists of contact information for SIPC to enable investors to obtain information about SIPC, including the SIPC brochure.

SIPC strongly endorses the NASD's adoption of proposed Rule 2342. We believe it to be one means of complying with the mandate of the General Accounting Office[1] (now, the U.S. Government Accountability Office) that the Securities and Exchange Commission and the self-

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[1] *Steps Needed to Better Disclose SIPC Policies to Investors*, No. GAO-01-653 (May 2001) at 40; *Update on Matters Related to the Securities Investor Protection Corporation*, No. GAO-03-811 (July 2003) at 16.

regulatory organizations require member firms to distribute the SIPC brochure so that investors can better inform themselves on how to protect their investments.

SIPC also supports the proposed exemptions to the rule. An investor reasonably may infer that if a broker-dealer is distributing information about SIPC, the broker-dealer is a SIPC member and the investor is eligible for protection from SIPC should the broker-dealer be liquidated under SIPA. To that extent, an exemption for broker-dealers that are not members of SIPC and those that offer only products that are not securities under SIPA is fair. The exemptions are consistent with SIPC's Advertising Bylaw that does not require any SIPC member to disclose its SIPC membership, and indeed prohibits any member from including any reference to SIPC, where such display or reference would be misleading to the public by suggesting that SIPC protection is available when in fact it is not. See SIPC Bylaws, Article 11, §4(d)(2) and (g)(2). Of course, the burden of establishing that it is exempt from the requirement of the SIPC Advertising Rules is on the broker seeking to avail itself of the exemption. Presumably, the same would be true in the case of the proposed Rule.

Because proposed NASD Rule 2342 will aid investors by directing them to the sources where they can obtain information about SIPC and the nature and extent of SIPA protection, SIPC supports the proposed Rule and urges that it be adopted without delay.

Very truly yours,

/s/

Josephine Wang
General Counsel

JW/pd