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This letter is written on behalf of the International Association of Small Broker Dealers and Advisers,www.iasbda.com with respect to the proposed merger between the NASD and NYSE regulatory arms.The association wishes to support the 12/21/06 letter of The Darcy GroupLLC, a small NASD member in Syracuse, N.Y.and add a suggestion for curing the concerns expressed by that letter and the more than 1500 small firms that opposed the merger.The Darcy letter notes in part:

"With the information provided me by the NASD, I find it unusual to change by-laws before a discussion of the proposed consolidation has taken place. Moreover, it is nearly impossible to approach this important decision armed with the information provided in the December 14th 40 page communication. Only those sections of the current by-laws that would be changed are included and no mention in current by-laws is made of the now hotly contested and discussed "one vote" per member. Were this a public company, the SEC would consider this a completely inadequate prospectus. NASD members, by voting yes to this by-law change, have no assurance a consolidation will take place. Voting with a "trust me" for a reason to go down this path would be utterly irresponsible on my part.

I think it is the responsibility of the SEC Division of Market Regulation to enter this discussion and provide to all parties a knowledgeable and understanble explanation of what is taking place. The NASD is asking in this vote for its members to give its governors the proxy to reform the organization as they see fit. Surely the SEC and government oversight committees should be part of the discussion.

In its role as the oversight body for change in NASD rules and regulations, I fail to understand how this matter could have advanced to this stage without the SEC approval of the parties engaging in discussions of a consolidation and

their final merger. Once that discussion has taken place and is approved by the appropriate agencies, it would then be proper for a change in the by-laws. The cart is certainly before the Horse!"

We believe that these concerns could at this point be easily assuaged by having the Commission approve the merger but require another vote in three years on Board membership and by laying down certain guidelines for that vote.

We are not concerned with the results of the vote but the lack of any discussion on what alternatives, if any, were considered.One illustrative example is the decision to have one industry seat filled by the head of NYSE regulation for 3 years and then eliminate the seat. Could that seat have been allocated to small firms now or at the end of the three years.? Could the total number of seats have been increased? Could the new SRO have contained a separate disciplinary review entity for the small firms? How did the allocation of seats come about? Was it due to an assessment of volume? Of trades.? Of underwritings? Of the proportion of equity to fixed income.?As Darcy notes both the voting materials and the comment proposal deal with the form not the substance of this historic event.Every minor rule proposed by the Commission itself contains an extensive discussion of alternatives and substantive provisions.The staff has extensively reviews other NASD rule filings, at times holding them up for years.In this regard we note the concept release on Self Regulation cited in this proposal , said nothing about changing the one person one vote rule or suggesting that alternative approaches ought to be considered.Instead it expressed concern about large members with significant influence. Concept Release at p 8. Indeed we do not believe there has ever been a concern expressed about one person one vote in the entire history of the SEC's writings on SRO'S.The NASD'S response to the concept release noted that"the NASD Board of governors and all key committees are balanced." Letter dated 3/15 /05 from Robert Glauber at p.6. Thus in a very short time period,a major change to board membership was adopted without any explanation of why the change was needed or whether alternative changes were considered.Most importantly we do not know the intent of the change.If it was to guarantee a minimum small firm representation that should be explained.On the other hand if it was designed to limit small firm representation that too should be explained.While a limitation does not sound good,there may well be specific justifiable reasons for representation by transaction volume rather than firms.

We therefore believe there is no need for finality on this subject at this time. The board representation could and should be reviewed to see if it is working

fairly. The small firms have reason to be concerned about a disciplinary process that is controlled by larger firms.In the modern history of both regulators since 1975,there have been less than 5 cases where the president or ceo of a large firm has been disciplined and those sanctions were minor. The NASD is conducting a study of whether small firms have been treated unfairly.The right way to merge these entities cannot be judged in a 9 month process. It must be studied over time and another vote without NASD payouts or threats of SEC action is called for.Yet the merger at this point is arguably too important to delay completely.Its benefits beyond the board representation are substantial.There is no downside in requiring another vote in three years after the firms and the public have had a chance to evaluate the effects of the merger and the input from this rulemaking comment period and the study of abuses against small firms.Perhaps the National Adjudicatory Council could be modified to assure that the small firms are judged by a jury of their peers.Perhaps the district committees could play an advisory role in this respect.The Commission needs to review more than a by-law change here. This is the most important event since the founding of the NASD in 1938.A reassessment in 3 years has no downside and will possibly calm the concerns of a large number of small firms like Darcy which feel disenfranchised by a process that shows no discussion of alternatives.Most importantly another vote in 3 years would be a signal to the small firms that they have a chance to decide their own fate and be judged by their peers.In a nation that is filled with political acrimony, an effort to ensure due process and basic fairness without delaying the merger is the duty of the Commission and should be supported by the entire industry.Darcy's doubt is one doubt too many.

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