



March 23, 2006

Mr. Jonathan G. Katz
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

Re: Proposed Commission Guidance Regarding Client Commission Practices Under Section 28(e) of the Securities Exchange Act of 1934; File No.: S7-09-05

Dear Mr. Katz:

ISITC respectfully submits this letter in response to the U.S. Securities and Exchange Commission's request for comments on its proposed interpretive release entitled "Commission Guidance Regarding Client Commission Practices Under Section 28(e) of the Securities Exchange Act of 1934". We recognize that the comment period officially expired in November 2005 and apologize for our late submission.

ISITC is a globally focused, volunteer based organization whose membership consists of securities operations professionals representing custodian banks, investment managers, brokers, vendors and utilities. The group's mission is to foster alliances and advocate standards that promote Straight-Through-Processing (STP) of securities transactions. Last year, the Alternative Commissions Working Group, composed of broker/dealers, investment managers and service providers, was formed at ISITC with the goal of establishing best practices around this business ultimately leading to higher STP rates.

The purpose of this letter is to request clarification on the following points within the SEC commission guidance paper:

1. Eligibility of Order Management Systems (OMS):

In reviewing other comment letters posted to the SEC website, we found that many respondents have also requested further clarification on this item. On page 35 the Commission states, "...order management systems ("OMS") used by money managers to manage their orders...are not eligible for the safe harbor..." However, earlier in that section the Commission defines the temporal standard and states that "...execution of transactions is a process, and that services related to execution of securities transactions begin when an order is transmitted to a broker-dealer and end at the conclusion of clearance and settlement of the transaction." Later in that section the Commission states "Under this temporal standard, communications services related to the execution, clearing and settlement...(including dedicated lines between the broker-dealer and the money manager's order management system)...are eligible under Section 28(e)(3)(C)."

Furthermore, OMS offerings have evolved significantly over the years and many OMS products offer functionality that is considered eligible under "safe harbor" for "research" and "brokerage" services as put forth by the Commission in this paper. (Note: Comment letters submitted by Charles River Development and Eze Castle Software provide detailed descriptions of their OMS offerings.) Taking this information into account, it is our view that at the very least OMS offerings should fall into the "mixed-use" category, which is associated with other challenges related to the proper allocation of the services.



2. Eligibility of Mass-Marketed Publications:

In the 1976 Release, the Commission stated that the safe harbor did not apply to “products and services which are readily and customarily available and offered to the general public on a commercial basis...such as newspapers and magazines...” However, the Commission modified its interpretation in the 1986 release, stating “a product or service that was readily and customarily available and offered to the general public on a commercial basis nevertheless could constitute research.” While we applaud the Commission for recognizing that certain mass-marketed publications contribute to a money manager’s investment decision-making process, and are thus eligible for “safe harbor”, we think the industry would benefit from additional clarity on this topic. Perhaps the Commission could provide examples of both eligible and ineligible publications in their final paper.

Once again we thank the Commission for allowing us the opportunity to comment on the Interpretive Release on Client Commission Practices under Section 28(e) of the Exchange Act.

Sincerely,

ISITC (North America)
Steve Goswell, Chair
Genevy Dimitrion, Vice Chair
Gary Probert, Vice Chair

Disclaimer:

The views represented in this letter are those articulated by the Executive Committee members of ISITC and may not represent the opinions of the underlying individual member firms of the ISITC or their representatives. This letter is intended to represent opinion and comment on the subject matter referenced and should not be relied upon beyond the purpose for which it is intended.