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57-18-04

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July 16, 2004

**VIA COURIER**

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549



Re: Response to SEC Release No. 34-49505

Dear Mr. Katz:

The National Securities Clearing Corporation ("NSCC") appreciates the opportunity to comment on the Securities and Exchange Commission's (the "Commission") proposal published in Release No. 34-49505 (the "Release"). The Release states that Self Regulatory Organizations ("SROs") must file proposed rule changes electronically with the Commission through a web-based system. Additionally, the Commission proposes that SROs post on their website proposed rule changes and a current and complete copy of their rules.

NSCC agrees with the Commission that this proposal will modernize the SRO rule filing process, along with making it more efficient and transparent, however, we do have some comments concerning some of the requirements described in the Release. The Options Clearing Corporation has already voiced many of these concerns in a comment letter dated May 27, 2004, and we concur with their comments and concerns, except as otherwise noted. We do have some additional concerns, and these are described below.

Initially, we request that the Commission provide an SRO with notice upon receiving the SRO's rule change proposal. This step would further enhance the Commission's goals of efficiency and cost-effectiveness in the rule change process. Furthermore, as the NASD laid out in their comments, this could also serve as notice to the SRO that they need to post the proposal on their website within the time frame adopted by the Commission. This would eliminate any confusion or disputes involving when the SRO would need to post the filing on their website.

Additionally, we request that the Commission include an explicit exemption involving the posting of proprietary information on the SRO's website. The Commission did state that alternatives to the electronic filing system could be used in certain circumstances involving proprietary or other information that should not or cannot be transmitted electronically. However, the Commission failed to include a corresponding provision concerning the posting of this type of information on an SRO's website after it has been filed. Accordingly, we ask that the Commission specifically state that proprietary information which is deemed too confidential to be filed electronically should also be exempted from subsequent posting on the SRO's website.

Furthermore, NSCC asks that the Commission set a precise time frame for the SRO's removal of a proposed rule change from their website. As the Release stands now, SROs will be required to keep their rule change proposals on their websites forever. NSCC requests that the Commission instead set the period of one year from the date of approval, or from the date of effectiveness for effective-upon-filing rules for removal of these proposals from the SRO's website. This period will provide a sufficient time period for interested persons, including other SROs, to keep up with rule change proposals, while allowing the SRO to remove the proposals before they become outdated or in conflict with newer filings, which would cause confusion and lead to misunderstandings regarding the content of the SRO's current rules.

In addition, we have a concern involving the process whereby a "duly authorized signatory" of the SRO is required to electronically sign the rule change proposal and obtain a digital ID to assure that the Form 19b-4 has been transmitted without electronic interference. The problem with this requirement is that it is generally the SRO's support staff, and not its duly authorized signatory, that will be doing the actual electronic filing. As the proposal stands now, however, this would be impossible because the support staff would not have the proper digital ID and thus the proposal could not be properly transmitted. Accordingly, the Commission needs to address this and develop a system that gives the necessary support staff access to the digital ID, which will more closely reflect the reality of the filing process.

Also, while we agree with the Options Clearing Corporation that the one business day requirement for electronic updating of an SRO's rules is unduly burdensome, we would like to propose an alternative to their recommended solution of ten business days for updating the rules. We feel that a better alternative would be to require the SRO to update their notice of filing as "approved" within one business day and then allow the SRO two weeks from the date of approval to post the full text of the change.

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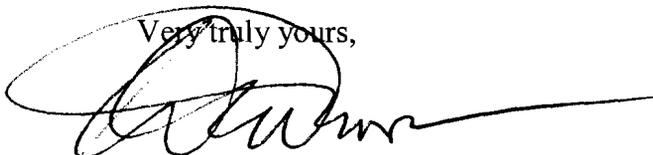
This would ensure that all of the necessary information concerning the rule change is posted on the website quickly, while still giving the SRO adequate time to ensure that the changes are made correctly.

Additionally, we ask that the Commission address whether an SRO's electronic posting of a rule change proposal will satisfy the current requirement that an SRO send notice of a proposed rule change to all other SROs. Requiring an SRO to send only the single electronic filing to the Commission would be consistent with the Commission's goals of efficiency and cost-effectiveness.

Finally, we have an issue concerning the Commission's proposal that fee changes to non-participants be filed for approval under 19(b)(2). As an initial point, we find it difficult to respond to this proposal since the Commission has failed to include any rationale for it in the Release. Nevertheless, we feel that there are certain fees for which there is no reason to require Commission approval. These involve (i) fees charged to non-participants for services available to participants at the same price, (ii) fees charged to non-participants for compilations of information available from other sources, and (iii) fees charged to non-participants for services not incidental to its business (e.g. rent for unused space).

We appreciate the opportunity to comment on this proposal and would be more than willing to discuss these comments with the Commission. If you have questions concerning our comments or need additional information, please contact Karen Saperstein at 212-855-3203.

Very truly yours,

A handwritten signature in black ink, appearing to be "DFD/jp", written over the closing text.

DFD/jp