

FINANCIAL INFORMATION FORUM

5 Hanover Square
New York, New York 10004

212-422-8568

July 22, 2005

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

Re: Financial Information Forum Comments on NASD filing with the SEC Release No. 34-51890; File No. SR-NASD-00-23: Self-Regulatory Organizations; Notice of Filing of Amendment No. 2 to Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Amendments to Order Audit Trail System Rules

Dear Mr. Katz:

The Financial Information Forum (FIF) welcomes the opportunity to comment on the proposed changes to the OATS rules, referred to collectively as OATS Phase 3. FIF (www.fif.com) was formed in 1996 to provide a centralized source of information regarding events and issues that affect the securities processing and market data communities. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

Our FIF Service Bureau Committee was formed to address the implementation of industry changes from a multi-client perspective. Given that many U.S. broker/dealer firms are using service bureaus for back office processing and order routing services, it is important to consider these entities when designing and implementing rules or processes that impact these functions. FIF's roster of U.S. securities processing vendors includes Automatic Data Processing (ADP), ADP/SIS, Computer Research Inc. (CRI), Comprehensive Software Systems (CSS), GL/Davidge, SunGard Trading Systems/BRASS, SunGard Securities Processing/Phase 3, Thomson BETA Systems.

The FIF Service Bureau Committee appreciates the efforts of Paul McKenney, OATS Team Leader, NASD Market Regulation who attended our last meeting and participated in a discussion of the OATS Phase 3 rule. Based on his feedback and FIF subscriber input, we would like to raise the issues outlined below.

Definition Clarification

The release refers to several terms that require precise definition as they will have a material impact on development modifications required as well as implementation effort.

- **“Trading Desk”**: Introduced first on page 7 and footnote 7, the release refers to capturing the time an order is received by a firm's “trading desk” or trading department.” For firms that do not have a trading desk, how would the term apply?
- **“Immediately”**: What is the time parameter associated with immediately as stated the bottom of page 11: “Specifically, if an order is not received immediately at the trading department, members would be required to capture information relating to the transfer of that order to the trading department under the order transmittal requirements of NASD Rule 6954(c).”

- **“Order Receipt Time”** – In the case of manual orders received via a 3rd party internet service, what order receipt time applies? Often these 3rd party internet systems capture orders after trading hours and submit them in a batch the next trading day. Order receipt data is not currently transmitted as part of the order data currently transferred.

Implementation Timing Considerations

In evaluating the implementation time required to successfully implement the proposed changes, FIF Service Bureau Committee members would ask the SEC to consider the following:

- Order receipt time and order identifiers are not currently transmitted across all systems that are used to capture and route order flow between various areas of the firm and the trading desk. While the data may be captured by a variety of systems, significant development effort is required to integrate this data from multiple order handling channels for distribution to OATS.
- Based on discussions with Paul McKenney, we understand that a new combined order/desk report will be mandatory. Even for firms with limited complexity, development effort will be required to accommodate the new combined order/desk report.
- Other regulatory initiatives recently instituted are requiring firms to expend significant resources on compliance (e.g., Regulation NMS)
- Review of technical specifications is an iterative process and is required before development schedules can be initiated. Effective date should be based off the release of the technical specifications rather than the notice of the approved filing with 180 days provided for development and testing.
- Sufficient time for testing within a robust testing environment should be incorporated into the implementation schedule. For a project of this magnitude, a robust test environment should be available 60 days prior to implementation date.

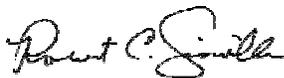
Summary of Recommendations

Based on the considerations outlined above, the FIF respectfully recommends the following:

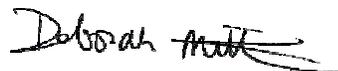
- Clarify definitions of “trading desk,” “immediately” and “order receipt time” in light of the scenarios outlined.
- Allow 180 days after the technical specification is released for development and testing.
- Offer a sufficient test window of 60 days in which the test environment is fully functional and robust to allow firms to complete testing.

In closing, the FIF Service Bureau Committee is committed to assisting the NASD in its continuing efforts and looks forward to the continuation of a close working relationship with Paul McKenney and others at NASD to understand and smoothly implement changes that improve the process and quality of OATS reporting.

Sincerely,



Bob Linville, ADP/SIS
Service Bureau Committee Co-Chair



Deborah Mittelman, SunGard
Service Bureau Committee Co-Chair



W. Leo McBlain
Chairman, Financial Information Forum



Manisha Kulkarni
Executive Director, Financial Information Forum