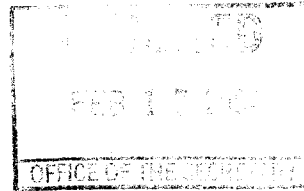


February 11, 2004



Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Re: Release No. 34-48981; File No. SR-NASD-2003-176 --Comments on Proposed Chief Compliance Officer and Chief Executive Officer Certification Requirement

Dear Mr. Katz:

E*TRADE Brokerage Holdings, Inc. ("E*TRADE")¹ appreciates the opportunity to provide comments in response to the above referenced rule filing,² which proposes amendments to NASD Rule 3010 and related interpretive material regarding certification of compliance processes and procedures by broker-dealer Chief Compliance Officers ("CCO") and Chief Executive Officers ("CEO").

E*TRADE agrees with the views expressed by the Securities Industry Association ("SIA") and The Bond Market Association ("TBMA") in their comment letter on the NASD's proposal, that the proposal, with some modification, would promote investor protection by furthering and enhancing firm regulatory compliance efforts, but that the proposed certification remains problematic in that it would not advance, and in some respects could detract from, the stated goals of the rule.³

Specifically, E*TRADE supports:

- Designation of a firm principal as Chief Compliance Officer;
- An annual compliance report, similar in nature to that required by New York Stock Exchange, Rule 342.30, that details, among other things, supervisory processes and significant compliance initiatives, issues and requirements;

¹ E*TRADE Brokerage Holdings, Inc., a wholly-owned subsidiary of E*TRADE Financial Corp., is the owner of several registered broker-dealers, including E*TRADE Securities LLC, an NASD member firm, and E*TRADE Clearing LLC, a New York Stock Exchange member firm.

² See Securities Exchange Act Release No. 48981 (December 23, 2003), 68 FR 75704 (proposing amendments to Rule 3010 and related interpretive material); see also Securities Exchange Act Release No. 49129 (January 27, 2004), 69 FR 5228 (extending comment period on the referenced filing).

³ See Letter to Jonathan G. Katz, Secretary, SEC, from George R. Kramer, SIA, Paul A. Merolla, SIA Compliance and Legal Division, and Paul Saltzman, TBMA, dated February 6, 2004.

**E→ TRADE
FINANCIAL**

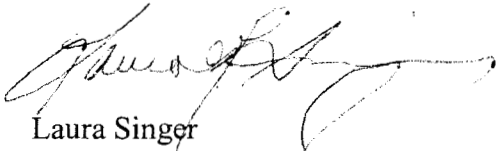
Jonathan G. Katz
February 11, 2004
Page 2

- Mandatory documented meetings between the CEO and CCO for the express purpose of assessing a broad range of issues relating to the structure and strength of the firm's compliance and supervisory systems, policies and procedures; and
- Presentation of the compliance report by the CEO to the firm's Board of Directors (or equivalent governing body) and Audit Committee.

E*TRADE, however, believes that the proposed certification: (i) is unnecessary in light of existing rules and additional pending proposals designed to enhance broker-dealer supervisory controls; (ii) could potentially weaken the Compliance function, by, among other things, requiring cumbersome bureaucratic measures that divert Compliance personnel from their critical day-to-day functions; and (iii) will expose CEOs and CCOs to increased arbitration claims and legal actions. E*TRADE therefore urges the Commission to approve the substantive elements of the proposed rule change identified above, and to defer consideration of the proposed certification until such time as the efficacy of other recent regulatory initiatives has been evaluated.

Thank you for your consideration of our views. If you have any questions, please feel free to contact the undersigned at 703-236-8585.

Sincerely yours,



Laura Singer
Vice President and General Counsel
E*TRADE Brokerage Holdings, Inc.