August 24, 2004

Comment re: File # SR-NASD-2003-176
(Sent via e-mail)

To Whom it May Concern:

Before making my comments, I would like to thank the Commission for allowing "interested persons" the ability to express our thoughts on the above-referenced NASD proposal. The ability of the various industry participants to engage in a dialogue is extremely important to the ongoing evolution of the securities industry.

Because these comments are being made at the 11th hour, I will keep them short. On the surface, I do not personally disagree with many of the individual points discussed in the proposal, such as the designation of a CCO or the requirement to inform the Board, or equivalent governing body, concerning a firm's adherence to NASD/MSRB and federal securities regulations.

However, as a sum total, I do not understand the overall point of the proposal, especially in light of the fact that a recently approved NASD rule change (referred to on Page #13 or the current release) apparently duplicates the intent of SR-NASD-2003-176. Also, I do not understand the proposed rule in light of the NASD's belief that the proposal will more efficiently and pragmatically achieve the goal of enhanced compliance.

Pragmatically speaking, current rules and regulations already require that all NASD member firms maintain dynamically constructed documents such as the Written Supervisory Procedures and Compliance Manuals to which the firm is held accountable by the various regulatory bodies, arbitrators, courts, and other interested groups. If firms do not adhere to the standards of current compliance as set forth by the regulatory bodies, then they are held to task through various degrees of penalties, fines, suspensions and other damaging consequences which help to keep the majority of firms in line.

Also, speaking pragmatically, I respectfully disagree that this type of proposal will have a noticeable impact on "decreasing the likelihood of fraud….and increasing investor protection." With the myriad of new regulations, and anticipating those proposed, firms are spending more time and resources on adhering to these new edicts and increasing less time in the training of both producers and principals to effectively and appropriately engage the customer so that their interest and needs are met and they are protected.

Personally, I do not see where this proposal truly benefits anyone, including the investor. Even with the changes made from previous versions, I still believe that firms and their senior management will be susceptible to increased litigation by virtue of the fact that, with 20/20 hindsight, a process is determined, by a court of law, to be not as solid as it appeared to be at the time of certification. Additionally, the proposed interpretive material "…explains that the report need not contain conclusions…"; however,

determining whether processes are certifiable, or not, is in itself a conclusion, which refutes the IM's claim. Finally, while vaguely defined, my interpretation of testing compliance processes most likely means adding costs to the firm by hiring outside consultants.

In conclusion, I would like to reiterate that the current proposal does present some salient ideas and suggestions, but they should be incorporated in current regulations. I do not believe that a certification of the compliance processes by the CEO (or equivalent officer) necessarily achieve the goals as expressed by the NASD above and beyond current rules and regulations. However, proposed items such as the designation of a CCO and formally compliance presentations to a board of directors are good ideas that should be incorporated in other existing regulations.

Thank you for your time and for the ability to engage in discussions regarding these very important topics. If you need to contact me, I can be reached at 816-753-7299, x8479 or via e-mail at gsmith@kclife.com.

Best regards,

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