

Associated Bond Brokers, Inc.

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February 17, 2004

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

RE: File No. SR-NASD-2003-201; Proposed Expansion of the NASD's Trading
Activity Fee to Certain Fixed Income Securities

Dear Mr. Katz:

Thank you for the opportunity to comment to the SEC on the proposal by the NASD to adopt a trading activity fee (TAF) applicable to certain debt securities. Associated Bond Brokers, Inc (ABBI) is a municipal bond broker's broker effecting only interdealer transactions typically on a "riskless principal" basis. ABBI has no dealings whatsoever with individual or institutional investors and does not trade or position bonds for its own account. We simply provide the broker-dealer community the ability to conduct inter-dealer trades on an arm's length basis and provide added liquidity to the municipal market place by functioning as an information clearinghouse. We work on a fixed fee schedule that is a sliding scale depending on the total par value of bonds traded.

It is our hope that the NASD will clarify how the proposed rule will effect the broker's broker community prior to the rule being adopted. We note that the NASD has advised in the context of equity securities that "if a member firm acts as agent on behalf of another NASD member in the sale of a covered security, the fee will be assessed to the member who is the ultimate seller of the security, not the member acting as agent" *. ABBI and other broker's brokers effectively provide an agency function in that we are "hired" by a broker dealer to get the best price possible for a block of bonds and then effect a simultaneous purchase and sale as "riskless principal". Presumably, the NASD would treat this agency function for debt securities in the same manner as equity transactions and exempt broker's brokers from the proposed rule; however this subject is not addressed in the proposal.

The proposed rule stipulates a fee for each "sale" of a covered security. If the debt TAF does apply to broker's brokers, the NASD should, at a minimum, clarify that the riskless principal debt transactions would be subject to the fee only once.

* NASD NTM 02-75 (Nov, 2002)

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The rule, as proposed, would seem to unfairly target smaller (under \$1,000,000 par value) transactions as the maximum fee is \$.75 per trade (based on \$.00075 per bond). We do not understand the rationale for this rate.

We are in possession of a copy of the letter recently submitted to your office by the Bond Market Association and respectfully concur with their conclusion that the Commission should postpone approval of the Debt TAF until the issues raised in their letter and ours can be fully vetted and further informed public comment can be obtained. Since we fervently hope that broker's brokers will be exempt from the rule altogether, we do not feel that it is in our purview to comment on the other issues raised in the Bond Market Association letter to the Commission, but suffice to say that the proposed debt TAF rule needs further justification and clarification.

Again thank you for the opportunity to comment and for your consideration of our request.

Very Truly Yours,



Pamela M. Miller
Senior Vice President
Associated Bond Brokers, Inc.