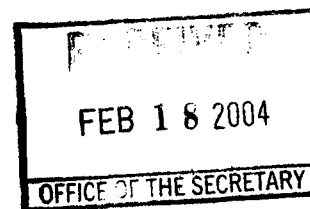


CHAPDELAINE & Co.

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February 16, 2004

A handwritten signature in black ink, appearing to be a stylized "S" or "8" shape.

Mr. Jonathan G. Katz
Secretary
US Securities & Exchange Commission
450 Fifth Avenue
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:

We would like to take this opportunity to submit our comments to the Securities & Exchange Commission ("SEC") in connection with the proposal by the National Association of Securities Dealers, Inc. ("NASD") to adopt for the first time, a trading activity fee applicable to certain debt securities.

As members of The Bond Market Association, ("TBMA") we understand that the TBMA has submitted comments on behalf of its membership, and we support their efforts in this matter. However, we feel that the imposition of the Trading Activity Fee ("TAF") is such a compelling matter that we need to have our voice as an individual member of the broker-dealer community heard as well.

As means of introduction, Chapdelaine & Co., ("Chappy"), is a municipal bond brokers' broker registered as such with the NASD and is a member of the Municipal Securities Rulemaking Board ("MSRB"). Chappy has more than thirty-seven years of experience in the municipal bond market, having started operations in August 1966. The firm's main business office is located at One Seaport Plaza, New York, NY 10038 and it maintains a branch office in Chicago, Illinois. There are currently a total of 104 employees, of which 61 are registered representatives.

As a municipal bond brokers' broker Chappy's business is defined by SEC Rule 15c3-1(a) (8). Specifically, Chappy acts exclusively as an undisclosed agent in the purchase and sale of municipal securities for a registered broker or dealer or registered municipal securities dealer, it has no "customers" as defined in the rule, and it does not have or maintain any municipal securities in its proprietary or other accounts.

Our purpose in writing today is to voice our objection to the proposed expansion of the NASD's TAF to certain fixed income securities. We believe that the new proposed fee is an additional burden placed on the municipal community to support regulation and enforcement for which it already pays a hefty fee to another regulatory agency, the MSRB.

As you are aware brokers, dealers and dealer banks dealing in municipal securities are required to be members of the MSRB. As such we are subject to their rules, regulations and fee schedules. Eight years ago, membership costs for our firm consisted of an annual fee of \$100.00. In mid -1996, with SEC approval, the MSRB implemented a new transaction fee on each inter-dealer sales transaction in municipal securities. This fee, one-half cent per \$1,000 par value of bonds is levied on the sellers' in inter-dealer transactions. Our transaction costs for the three most recent years 2003, 2002 and 2001 were approximately \$129,000; \$135,000, and \$130,000, respectively. In a market that some view as "contracting", these additional transaction fees are an enormous burden to a firm, with no relief in sight.

Potentially, adding to this burden is the NASD's proposed TAF on these very same transactions. But for what purpose? NASD's regulatory function with respect to transactions in municipal securities is limited by the Securities & Exchange Act of 1934. Specifically, rulemaking and policymaking are regulatory functions delegated to the MSRB. With less regulatory responsibility for the municipal markets than other markets, where is the NASD's justification for charging members dealing in municipal securities a TAF at the same rate it proposes to charge dealers in other fixed income markets?

Further in the interest of fairness, you must recognize that dealer-banks dealing in municipal securities are not subject to NASD jurisdiction, but are solely MSRB members. As such they would not be required to pay this proposed TAF, therefore giving them an unfair competitive advantage over their counterparts.

In addition to this proposed fee, one can not overlook the fees we currently pay to the NASD as members. As members we are required to pay a Gross Income Assessment and Personnel Assessment Fee. The imposition of these fees was intended to finance the regulatory activities of the members. For the period from 12/31/2002 to 12/31/2003 our firm's actual gross income decreased 1.8%, while our firm's gross income assessment increased 10.5%. The Personnel Assessment Fee has increased from \$10.00 per individual to a tiered rate structure of \$40.00 each for the first 5 employees, \$35.00 each for the next 20 employees and \$30.00 each for the balance of the employees.

As you can see, our costs of doing business has increased quite substantially in the recent past without any offsetting increase in revenue, nor any additional benefit being recognized by our firm. Additionally, you should be mindful that due to the nature of our business we do not even have the ability to pass along any of these costs to our “customers”. Rather our “customers”, who are themselves brokers and dealers, are also being burdened with these same fees on the very same transactions.

To review, Chappy is a brokers’ broker executing transactions on an undisclosed basis for other registered brokers or dealers or dealer banks. As a brokers’ broker transactions are processed as such: Dealer “A” sells an item to us (a reportable event) and we simultaneously sell the same item to Dealer “B”, (another reportable event). At a minimum, each of our trades results in two reportable events. Every reportable event results in a fee. If we pay on average over \$130,000 a year to the MSRB for transaction fees, then the actual fees recognized by the MSRB for the trades we brokered were in excess of \$260,000 per year.

This same logic can be applied to the proposed TAF. Each transaction that Chappy brokers results in a minimum of two reportable events. As a result, the TAF would be collected twice on the same transaction. Not only is the transaction being “taxed” twice, once as a MSRB security and again by the TAF; but two different parties are paying the same fees on the same transactions.

We do not believe that the intent of the proposed fee structure is to overburden the brokers’ broker community with double taxation and double fees. Under the current TAF program effecting equity markets, it is quite clear that the NASD has made provisions to exempt this kind of situation from happening. Currently, the NASD has stated that if a member acts as an agent on behalf of another NASD member in the sale of a transaction, the fee should be assessed to the ultimate seller of the security, not the member acting as agent. Though our role in executing transactions is as riskless principal, the concept and result is undeniably the same – that as an intermediary we act in the same capacity as an agent. Under those guidelines, we and those acting in like capacities, should be exempted from these duplication of fees and double “taxation”. This exemption is not clarified in the TAF proposal as applying to our business and we ask that it be included to recognize our status as intermediary.

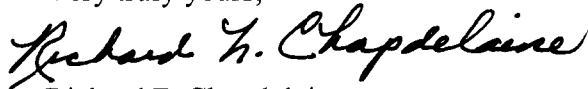
Due to the limited scope of its business mix, the SEC has in the past recognized that the group of Municipal Brokers’ Broker is unique to the industry and under certain circumstances should be afforded different considerations. This is quite apparent in the relief that the SEC has granted the brokers’ broker community from certain provisions of the Net Capital rule as well as adapting different net capital requirements for this same group. We ask that this same consideration should be granted to brokers’ brokers with respect to the TAF.

In making its decision with respect to applying the TAF to the fixed income market, we implore the SEC to consider the financial burdens we already endure with the imposition of the MSRB Transaction Fee as well as the additional assessments we already pay the NASD.

As members of the broker/dealer community we support the regulatory efforts of the NASD, recognizing that enforcement and oversight are necessary to ensure the integrity of the marketplace. However, we draw the line at being "taxed" unfairly and supporting services of which we know not nor do we partake.

We thank the SEC for giving us this opportunity to be heard and would like you to know that we are available for additional discussions if necessary.

Very truly yours,



Richard F. Chapdelaine
Chairman



August J. Hoerrner
President