



June 24, 2003

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street N.W.
Washington, D.C. 20549-0609

Subject: File No. SR-NASD-2003-78- Proposed Amendment to Rule 6230 To Reduce Reporting Period.

Dear Mr. Katz:

The Financial Information Forum (FIF) is pleased to submit comments regarding the reference filing on TRACE reporting from NASD. FIF is a forum which enables service bureaus, market data vendors, exchanges and broker dealers to discuss and share information and solutions regarding factors that concern the processing of information and securities processing in the securities industry. (www.fif.com).

Background

Since FIF's service bureaus perform processing for at least 50% of broker dealers, our interest is to ensure that we provide the tools for our clients to meet their regulatory obligations. Presently there are three methods for reporting fixed income trades to NASD:

- 1) Computer to Computer Interface (CTCI)
- 2) Web-browser (Internet)
- 3) Through NSCC/Fixed Income Clearing Corporation's (FICC) FITS System.

DTCC/FICC has issued a Service Advisory stating that they will no longer support the NSCC/RTTM interface when NASD TRACE reporting obligations are reduced to 15 minutes from trade execution. Their rationale is that because less than 20% of the transactions are reported through NSCC, FICC cannot justify additional implementation costs to be born by the industry, for a service that will be utilized to report a small number of transactions.

Our Issue

Firstly, we wish to highlight the fact that while only 20% of transactions are being reported to NASD through FITS currently, the number of broker dealer firms that rely on this method of TRACE reporting accounts for one half of the broker dealer community.

Furthermore, most of our service bureaus use the NSCC FITS interface for both Streetside Comparison and TRACE and MSRB price transparency reporting. We were under the impression that subsequent decreases in reporting timeframes would be supported under RTTM. This has proven to be correct in the case of municipal bond trade reporting where the MSRB and NSCC have collaborated to establish RTTM as the platform for reporting and comparison for municipal bond trades. However, our service bureaus will have to program separately to meet TRACE reporting requirements through the CTCI interface, while at the same time using RTTM for trade comparison of corporate bonds as well as municipal bond price reporting and trade comparison.

Industry Issue

Although the industry has talked about moving to a STP model, these unfortunate developments define anything but an STP environment, as corporate bond trade executions will be reported in one place for price transparency and the same trades will be directed to another place for comparison purposes. In contrast, municipal bond trades submitted to RTTM will achieve both comparison and reporting using a single method.

There is no rule regarding timeliness of comparisons for corporate bonds at FICC, as has been planned for municipals. Should such a rule be instituted by the NASD in the future, the industry might reconsider the use of RTTM as the most direct and efficient reporting mechanism. Our service bureaus would again find themselves re-programming to implement TRACE reporting through RTTM.

Our Request

NASD is requesting improvements in reporting time but because NASD and DTCC/FICC cannot agree on an approach, our customers are being penalized.

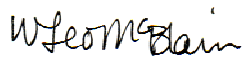
We suggest the following:

- Delay the implementation of approval for 15 minute reporting until the industry can develop a more coherent plan for matching and reporting
- In any case, delay this until the end of 2004 so that we do not have two reporting implementations, TRACE and MSRB competing for the same specialized resources.

- Request that NASD and DTCC/FICC work with FIF, SIA and TBMA to develop a more coherent plan that supports a more compatible matching/reporting scenario.

The FIF Service Bureau Committee appreciates the opportunity to provide comment, and wishes to make itself available at any time the Commission seeks input on the operational and technical impact of proposed rules or legislation. The committee believes that addressing some of the practical, operational and technical issues early on in the planning process will assist the industry in complying with regulatory changes in a smooth and timely manner. If you have any questions in regards to this letter, please contact Kathy McGovern at (212) 652-4463.

Sincerely,



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