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SEC

RE: Amendment to Rule 6230(a). Change in TRACE reporting requirements.
File # SR-NASD-2004-057

My firm, Bernard Richards Securities, Inc. is an independent Broker/Dealer specializing in the brokerage of fixed income products. This letter is in response to your request for comments on the proposal to change the reporting requirements of the TRACE system from 45 minutes to 30 minutes in stage one, and than to 15 minutes in stage two.

In light of the fact that TRACE reporting is a major encumbrance to the way trading of corporate bonds has taken place for the past 100 years, I feel that decreasing the reporting window from 45 minutes to 30 minutes, and eventually to 15 minutes, will do more to impede trading than any other factor. Bond trading, unlike equity trading which is fully computerized, is a manual, hands-on type of business. Most transactions involve a great deal of negotiation in terms of price, quantity, spread off the treasury, and which treasury bond to use, settlement dates, etc. With the current window of 45 minutes, we are finding that there are many trades processed late, and thus subject to additional fees.

I feel that a reduction of 15 minutes, to be followed by an additional reduction of 15 minutes, would leave a reporting window wholly insufficient to allow the proper reporting of TRACE eligible securities. Couple this with the fact that there will be an additional 20,000 TRACE eligible securities added to the list by year end, and you will have created a situation where speed, not accuracy, will be the rule of the day. You will also have created a market environment where the immediate needs of a customer will have to put on hold in order to comply with the immediate requirements of TRACE reporting.

Over and above the fact that the TRACE has become a tax on bond trading, it has created added layers of expense for both clearing and non-clearing firms. It has expanded the need for additional personnel in order to comply with the system. For firms such as Bernard Richards Securities, which cannot afford to hire staff to comply with TRACE, there is the hidden expense of having our brokers spend part of their businessday meeting these requirements. There is also the problem of fines. As TRACE becomes more time consuming and more difficult with which to comply, there will be more and more fines levied against brokers who have been unable to satisfactorily meet the new requirements

In light of the fact that no one has been able to explain exactly how TRACE provides market transparency for the general public, I see no valid economic reason to reduce the allowable reporting time. According to a recent Wall Street Journal article, approximately 60% of all TRACE reportable trades were for securities transacted with the general public. TRACE does not provide transparency for the general public. Investors cannot get real-time quotes or sales. The only trades reported in the papers are the last sales and spreads to the treasuries of the 40 most active issues on any given day.

In conclusion, I would recommend that the TRACE system be changed in such a way that would allow the reporting of trades at any time during the day, without the constraints of a 15-minute window. I would also recommend that the TRACE system be funded as part of the NASD annual assessment for each member firm. Billing each firm on an individual basis according to usage has placed many small Broker/Dealers in dire financial jeopardy. As it is currently set up, TRACE will hasten the demise of the independent broker/dealer, and thus hasten the demise of competition and liquidity.

Sincerely

Richard F. Seifer
President and C.E.O.

PS: I would like to know why my TRACE bill, which is the result of a Federal non-funded mandate, is subject to New York Sales Tax.