

July 26, 2005

Ms. Katherine A. England
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2001

Re: File No. SR-NASD-2005-063 -- Response to Comments on Proposed Rule Change to Amend NASD Rule 7010(k) Relating to TRACE Transaction Data

Dear Ms. England:

In SR-NASD-2005-063, NASD is proposing amendments to NASD Rule 7010(k) relating to Transaction Reporting and Compliance Engine (“TRACE”) transaction data to amend (i) Rule 7010(k)(3)(A)(i) to offer an optional enterprise-based flat fee for the internal display of real-time TRACE transaction data (“Real-Time TRACE transaction data”) on an unlimited number of interrogation or display devices, and (ii) Rule 7010(k)(1)(A) to lower the monthly fee for the first user ID purchased to obtain Level II Full Service Web Browser Access.¹ NASD is responding to the comment letter submitted to the SEC in response to the publication of the rule filing.²

The Commenter states that that the proposal to establish a \$7,500 per month enterprise-based flat fee for large volume TRACE data users would benefit very few users and is not in the best interests of the industry, and that NASD fails to identify the benefits of the proposed enterprise-based flat fee.³ NASD believes that broadening the distribution of Real-Time TRACE transaction data will benefit the investing public and market professionals who provide advice and execution services to the investing public, as well as other professional market participants. As previously stated in the proposed rule change, broadening the distribution of such data will facilitate its use, for example, by persons who provide brokerage and/or advisory services to retail investors, and will provide such professionals with an additional tool to better serve and inform retail investors.

The Commenter also proposes that NASD modify the TRACE fee structure so that members submitting less than 1,000 TRACE transaction reports per month are not

¹ Securities Exchange Act Release No. 43441 (June 17, 2005), 70 Fed. Reg. 36681 (June 24, 2005). The comment period closed on July 15, 2005.

² Comment letter from Stephen Tenison (“Commenter”) to rule-comments@sec.gov, SEC, dated July 6, 2005 (“Comment Letter”).

³ Comment Letter at 1.

charged any fee for the service (the Level II Full Service Web Browser Access) that includes access to Real-Time TRACE transaction data. NASD believes that the proposed amendments to lower the monthly fee for the first user within a member or other organization of the Level II Full Service Web Browser Access, by lowering the portion of that fee attributable to Real-Time TRACE transaction data access, is a fair and balanced approach by NASD, and provides for the equitable allocation of reasonable fees among members and other persons desiring access to TRACE market data.

If you have any questions, please contact me at (202) 728-6961 or james.eastman@nasd.com. The fax number of the Office of General Counsel, Regulatory Policy and Oversight, is 202-728-8264.

Very truly yours,

James L. Eastman
Assistant General Counsel

cc: Mary Simpkins
Ted Venuti