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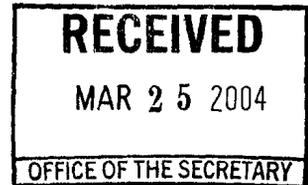
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March 17, 2004

Katherine A. England
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1001



Re: File No. SR-NASD-2003-184 – Review and Update of Member Executive Representative Designation and Contact Information; Response to Comment Letters

Dear Ms. England:

NASD hereby submits its response to comment letters received by the Securities and Exchange Commission ("SEC" or "Commission") after the publication of SR-NASD-2003-184 in the Federal Register on January 27, 2004.¹ The SEC received two comment letters.² The two commenters supported the proposal, but raised questions concerning the implementation of the proposed rule.

As stated in the SR-NASD-2003-184, the proposed rule would require that each member conduct a review of and, if necessary, update its executive representative information within 17 business days after the end of each calendar quarter. Maine Securities questioned whether the executive representative designation could become part of the FOCUS report because small firms seldom have executive management changes. Furthermore, Jack Dardis questioned whether the costs of this proposed rule change would outweigh the benefits of the review and update requirement.

NASD believes that this proposed rule change is essential to its ability to regulate the marketplace. During the events of September 11, 2001, NASD learned that some members had not updated their firm contact information and, as a result, NASD had a difficult time contacting these members. To prevent a similar situation from recurring and ensure that NASD can timely contact members when necessary, NASD

¹ 69 FR 3973 (January 27, 2004). The public comment period announced in the Federal Register expired on February 17, 2004.

² See Electronic Comment Letter from Bradley C. McCurtain, Maine Securities Corporation ("Maine Securities"), dated February 4, 2004; Electronic Comment Letter from Jack Dardis, Jack Dardis & Associates, LTD ("Jack Dardis"), dated February 16, 2004.

conducted a comprehensive review of how it requires members to keep up-to-date their executive representative and other contact information. NASD concluded that requiring members to periodically review and update their firm contact information would help ensure the accuracy of the information. As such, in addition to the proposed quarterly review requirements with respect to executive representative information in SR-NASD-2003-184, NASD has proposed similar quarterly contact information review requirements for emergency contact information and continuing education contact person(s).³ NASD believes that, given the valuable role that each of these contact persons plays at the firm, it is important to keep their information accurate. With respect to SR-NASD-2003-184, executive representative contact information must be kept current given the importance of an executive representative in representing, voting, and acting for the member, as well as receiving communications from NASD.

To ensure uniformity across the various contact information rules, NASD intends to collect all categories of information through NASD's Contact System ("NCS"), and it is expected that all quarterly reviews and updates will be performed on a central location in NCS. In addition, members will be required to perform all quarterly reviews and updates on the same schedule (i.e., within 17 business days after the end of each quarter).

NASD understands that the rule requirements may place an additional compliance burden on members. With respect to Maine Securities' suggestion that NASD add the executive representative contact information directly to the FOCUS report, NASD notes that the FOCUS report is an SEC document, requiring SEC action to be amended, and that any amendments to such form tend to be related to financial reporting requirements. Moreover, members must have a means outside the FOCUS report filing schedule to revise the executive representative contact information in the event of a change. To assist with members' compliance with the proposed rule change, as stated in the purpose section of SR-NASD-2003-184, NASD is examining different methods of notifying members of their quarterly review and update requirement. The methods under consideration include reminders tied to the act of filing the quarterly FOCUS reports in the form of a link to NCS or a reminder message on a pop-up screen,⁴ periodic reminders through NASD's e-mail broadcasts distributed to members' executive representatives, and individual emails to the executive representatives.

Jack Dardis expressed concerns over the penalty for a failure to review the contact information during the 17 business days following each calendar quarter. As

³ See SR-NASD-2002-108 (proposing quarterly update of emergency contact information); Release No. 34-49246 (Feb. 13, 2004), 69 FR 8255 (February 23, 2004) (order approving continuing education contact person(s) quarterly update requirement).

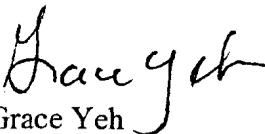
⁴ Members are required to file FOCUS reports within 17 business days after the end of each calendar quarter, which is consistent with the schedule for member review and update of the executive representative contact person information required by this rule change.

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with any NASD violation, NASD may use informal or formal means to enforce violations of its rules. However, to bridge the gap between informal means and full disciplinary proceedings, NASD, through a separate rule proposal, is seeking to amend its minor rule violation plan to allow NASD staff to use minor rule violation letters to address a failure to provide or update contact information required by NASD rules.⁵

If you have any questions concerning this submission, please contact Grace Yeh, Office of General Counsel, Regulatory Policy and Oversight, NASD, at (202) 728-6939; e-mail grace.yeh@nasd.com. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,


Grace Yeh

cc: Joseph P. Morra

⁵ See SR NASD-2004-025.