

December 19, 2003

Jonathan G. Katz
Secretary
US Security and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

NSCC
Re: SR-NCSS-2003-21

Dear Mr. Katz:

Lord, Abbett & Co LLC ("Lord Abbett") supports the proposed amendment of the National Securities Clearing Corporation ("NSCC") Rules to offer an information messaging service for separately managed accounts (identified as rule filing SR-NSCC-2003-21).

The Separately Managed Account ("SMA") industry, and specifically Lord Abbett, has experienced significant growth over the past few years, presenting many challenges and opportunities. Assets under management ("AUM") for the industry total \$456.29 billion the end of third quarter of 2003, based on quarterly data collected by the Money Management Institute ("MMI") and its consultant, Financial Research Corp ("FRC"). FRC projects for MMI that assets under management held in separately managed accounts will approach \$1 trillion by 2005 and nearly \$3 trillion by 2011. The total number of individual accounts, estimated at 2 million at year-end 2002, will increase to 4.2 million in 2005, 7.9 million in 2008 and 12.5 million in 2011. We at Lord Abbett are excited about the direction, expansion and innovation facing the industry and us.

The rapid growth of the SMA industry presents numerous challenges in the technology and operations area. A key area of concern is the limited scalability of the business due to the absence of centralized connectivity among sponsors and investment managers and the lack of standardized protocols for communicating and processing data. Under current processes, information is transmitted using manual and time consuming methods and the use of multiple systems in the decentralized processing flows entails a great deal of duplication of data entry. In addition to being highly inefficient, this process results in high processing costs, excessive error-related costs and inevitable delays.

A principal recommendation of the MMI commissioned Deloitte & Touche LLP study analyzing the operational interfaces was that the industry adopt an industry-wide approach to data standardization of data and formats and processing practices, and the creation of a platform-neutral centralized communications facility. As noted in the study and generally

recognized in the industry, the parallel to the operational problems encountered by the mutual fund industry twenty years ago is striking. In fact, the current AUM in separately managed accounts (over \$450 billion) is very similar to the AUM in the mutual fund industry at a comparable point in time; the growth projections are also remarkably similar. In the mutual fund industry, the various industry participants worked together to develop standard protocols and processes to achieve cost efficient operations that could function in a period of rapid asset growth. NSCC played an important role in achieving the industry-wide solutions to the very similar operational problems experienced by the mutual fund industry and the industry now relies heavily on NSCC's mutual fund services as a standardized processing and reporting platform.

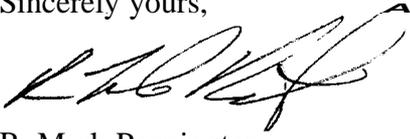
Accordingly, MMI turned to NSCC to explore whether NSCC, as the industry utility, could provide services with similar operational benefits to the managed account industry, with the objective of reducing excess operation costs and risk, and to provide the infrastructure for the market to reach its growth potential. At the request of MMI, NSCC became a member of the MMI Technology and Operations Committee that was formed to assist the industry in creating and defining standardized communication elements for SMA processing. In addition to its advisory role on the committee, MMI also turned to NSCC to develop a central processing utility that would support and utilize these industry standards. It is the consensus of the Board of Governors of MMI, on which Lord Abbett holds a position, that the presence of an industry utility such as NSCC would play an important role in resolving the operational challenges presented by the current processing methods. This conclusion is consistent with (1) the recommendations that came out of the Deloitte & Touche/MMI study and (2) the prior experience of the industry regarding the resolution of strikingly similar problems encountered in mutual fund processing in the 1980s, problems that were resolved by standardizing and centralizing communications through NSCC.

Lord Abbett supports NSCC's efforts to design and provide a communications and processing service for the managed account industry. As noted above, their involvement in the mutual fund industry has been integral to our ability to grow our mutual fund business. Lord Abbett believes the industry and the investing public would benefit by reducing processing costs and the operational risk that is associated with manual and duplicative processes. As an additional benefit, Lord Abbett believes that centralizing communications in an industry utility such as NSCC will foster competition among service providers to the SMA industry. We believe that use of NSCC's systems to provide a robust and economic network of connectivity among the many sponsors and investment managers that work with separately managed accounts will encourage other companies to develop new and improved front office and back office processing services, thereby benefiting the industry and the investing public.

For the reasons stated, we submit this letter in support of NSCC's proposed rule change for the provision of the separately managed account service, SR-NSCC-2003-21.

Jonathan G. Katz
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Sincerely yours,

A handwritten signature in black ink, appearing to read 'R. Mark Pennington', written in a cursive style.

R. Mark Pennington
Partner, Director of Separately Managed Accounts

cc: R Dow
J Binstock
L Kaplan
C Davis - MMI