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March 6, 2007

Ms. Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1506

Dear Ms. Sweeney:

Thank you for the opportunity to respond to your proposal to amend Rule 3010(g) (Supervision – Definition of “Office of Supervisory Jurisdiction”) and Rule 2711 (Research Analysts and Research Reports – Definition of “Initial Public Offering”). The benefits of harmonizing Rules between NASD and NYSE are obvious. My comments below are limited to Rule 3010(g)(1)(f) and Rule 2210(b)(1); your proposed action to classify locations that conduct only final review of research reports as “non-branch locations” is welcome.

In your Notice to Members 07-12 you discuss the inconsistency between the NASD and NYSE classification of a location where final approval by a principal of research reports occurs. Specifically, you note that under NASD’s current rules, final review of advertising or sales literature (which includes research reports) makes a location an OSJ, and therefore a branch office. You further note that the NYSE deems a location where a member stations a Series 16 qualified supervisory analyst solely to review research reports as a “non-sales location,” which is an express exclusion from the Uniform Branch Office Definition.

The NYSE’s approach makes eminent sense: Since a location where supervisory review of a Research Report takes place must be segregated from any sales, trading or client account –related function, it does not require the level of oversight of an OSJ.

Importantly, eliminating the designation of such locations as OSJs will ease the administrative burden on small firms that choose to outsource the supervisory pre-approval of Research Reports, often to multiple freelance Research Principals. This is particularly pertinent to those small firms that distribute no internally-generated research, and therefore have no Registered Research Principle(s) on their premises, but offer third-party research, some of which, under the newly-codified (prior) interpretation, has to be pre-approved by a Registered Research Principle.

I applaud the efforts of NASD and NYSE to eliminate duplicative rules and streamline regulation; the plan to consolidate their member regulation operations into a single self-regulatory entity is welcome. I look forward with anticipation to the proposed “more sensible and less complex regulatory system” you refer to in N-t-M 07-12’s Executive Summary.

Sincerely,

Charles Comer