

NSCP

February 23, 2006

VIA EMAIL TO pubcom@nasd.com

Barbara Z. Sweeney
Senior Vice President and Corporate Secretary
NASD
1735 K Street, NW
Washington DC 20006-1500

Re: Comment on Proposed Interpretive Material IM-3060
Gifts and Business Entertainment

Dear Ms. Sweeney:

The National Society of Compliance Professionals (“NSCP”) appreciates the opportunity to submit comments on the above-referenced proposed Interpretive Material to accompany and provide guidance regarding the interpretation and implementation of NASD Conduct Rule 3060, “Influencing or Rewarding Employees of Others” (the “Proposal”).

The Proposal is of considerable interest to the NSCP and its members. NSCP is the largest organization of securities industry professionals devoted exclusively to compliance issues, effective supervision, and oversight. The principal purpose of NSCP is to enhance compliance in the securities industry, including firms’ compliance efforts and programs and to further the education and professionalism of the individuals implementing those efforts. An important mission of NSCP is to instill in its members the importance of developing and implementing sound compliance programs across-the-board.

Since its founding in 1987, NSCP has grown to almost 1,600 members, and the constituency from which its membership is drawn is unique. NSCP’s membership is drawn principally from traditional broker-dealer firms, accounting firms, and consultants that serve them. The vast majority of NSCP members are compliance and legal personnel, drawn in roughly equal numbers from broker-dealer, investment advisory and integrated broker-dealer/adviser firms. The NSCP’s members represent the entire spectrum of the industry, including employees from the largest brokerage and investment management firms to those operations with only a handful of employees. The diversity of our membership allows the NSCP to represent a large variety of perspectives in the financial services and asset management industry.

The NSCP supports the Proposal and appreciates the Board of Governors making clear its guidance, expectations and requirements with respect to compliance with NASD Conduct Rule 3060. Most particularly, the NSCP strongly supports the principles-based approach to regulation

embodied in the NASD Proposal (and the companion NYSE proposed rules). The NSCP endorses the mandatory adoption of written policies and procedures reasonably designed to achieve compliance with the basic tenets and overriding principles reflected in the proposed IM-3060. Further, the NSCP agrees with the approach in the Proposal, which does not impose hard limits, require that all Members adopt the same limits and treat all recipients equally, or otherwise impose a “one size fits all” set of rules and requirements, but instead allows each Member to tailor its written policies and procedures and the manner in which business entertainment expenses are documented and supervised, to such Member’s particular circumstances, customer base and business.

Finally, the NSCP appreciates the NASD’s efforts to coordinate the terms and scope of the Proposal with the NYSE’s proposed new Rule 350A. The development of a uniform industry business entertainment rule enables dually registered firms to more effectively and efficiently develop, implement and enforce policies and procedures designed to achieve compliance, and will foster the evolution of “unofficial” generally accepted industry standards.

The Proposal will augment each Member’s efforts to develop and implement appropriate written policies and procedures regarding business entertainment expenses, and provide for supervision and training with respect to same. The NSCP believes that these policies and procedures and the principles expressed in the Proposal will substantively assist Members to achieve compliance with NASD Conduct Rule 3060 and observe the “high standards of commercial honor and just and equitable principles of trade” required under Rule 2110. In turn, competition for business based on appropriate consideration of the nature, terms and quality of the professional services offered by each Member, rather than on improper or inappropriate influences and factors, and indeed, the reputation of the industry, will be enhanced.

We hope that these comments are useful in the NASD’s consideration of the Proposal. If and as appropriate, we would be pleased to discuss our views in more detail with the NASD and its staff.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Joan Hinchman', with a long horizontal flourish extending to the right.

Joan Hinchman
Executive Director, President and CEO

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