

April 19, 2005

Office of the Corporate Secretary  
National Association of Securities Dealers  
1735 K Street, NW  
Washington, D.C. 20006-1500

Re: Proposed Rule to Enhance Confirmation Disclosure in Corporate Debt Securities Transactions (Notice to Members #05-21)

Dear Sirs:

The Financial Information Forum (FIF) Service Bureau Committee appreciates the opportunity to comment on the above-referenced proposed new rules which would require broker / dealers to disclose additional information to investors for transactions in corporate debt securities. Formed in 1996, The Financial Information Forum is a brokerage industry organization dedicated to the improvement of brokerage industry information and transaction processing systems. Members of the FIF Service Bureau Committee are service bureaus that develop back office software and run data centers for broker / dealers.

FIF members focus on critical issues and productive solutions to technology developments, regulatory changes, and other industry changes. The FIF Service Bureau Committee has previously worked closely with regulators and industry utilities on technical implementation considerations for such projects as OATS, INSITE, Decimalization, TRACE, RTTM, NYSE OTS, and the Patriot Act.

The Proposed Rule to Enhance Confirmation Disclosure in Corporate Debt Securities Transactions (“proposed Rule 2231”) mandates disclosure of certain additional information “in the same manner that a member confirms the terms of a transaction in a debt security under Rule 10b-10.” The additional information includes:

- TRACE symbol
- One of three specific statements describing the brokerage charges
- Credit Rating (if the security is rated by an NRSRO to which the member subscribes)
- A statement disclosing whether price information is available for the security and where the investors can obtain this information
- Yield to Maturity and certain call information (when not otherwise required under SEC Rule 10b-10)
- Whether the coupon rate is variable
- Compound Accreted Value for zero coupon bonds

As service providers to the brokerage industry, we would be directly engaged in modifying existing systems or building new ones to meet the requirements of Proposed Rule 2231. We would like to comment on the feasibility and time required to implement the proposed Rule.

Proposed Rule 2231 specifically states that “a member would not be required to provide the supplemental disclosures...on the same piece of paper” as the trade confirmation required under SEC Rule 10b-10. However, it appears that the proposed Rule would at least require that the supplemental disclosures must be supplied to the investor at the same time as the 10b-10 confirmations. Since the supplemental disclosures are transaction specific and must be supplied to the investor with the trade confirmation, it would not make any sense to do the processing required to produce the supplemental disclosures at any time other than when the broker is also producing their trade confirmations.

The structure and capabilities of each broker / dealer or service bureau’s existing systems would dictate the design of solutions for these new requirements, however, were the proposed Rule 2231 approved and implemented as described in NTM 05-21, we see a significant impact to the process of producing trade confirmations. For most broker / dealers, the production of trade confirmations is a very complex, time critical and high volume process. Some of the supplemental disclosures required under proposed rule 2231 are quite complex (e.g. Compound Accreted Value for zero coupon bonds) and will require a substantial development and testing effort. Many of the other required disclosures are no more difficult or complex than other disclosures required on 10b-10 trade confirmations, however, supplemental disclosures represent an incremental increase in the information required on a trade confirmation and must be integrated with all the currently required information.

Additionally, the production of trade confirmations for corporate bond trades in a broker/dealer’s back office system is more or less integrated with that of other investment products (municipal bonds, government bonds, equities, mutual funds, etc.). Each product has its own unique confirmation requirements, but overall regarding trade confirmations for each of these investment products, there are more similarities than differences and the differences are accommodated in one integrated process. So the addition of new requirements for corporate bond trade confirmations (relatively small by volume) adds additional complexity to the overall trade confirmation production process for the broker/dealer.

We do not dispute the value of the supplemental disclosures required under proposed Rule 2231. However, we would like the NASD to recognize the impact of adding additional requirements to an already complex and time critical process for broker / dealers and plan for the implementation of this proposed rule accordingly. Sufficient time must be allowed for development and testing of systems that produce trade confirmations to avoid errors and not adversely impact either broker / dealers or investors.

Even the modest changes proposed by NASD in the new proposed Rule 2231 will result in changes to complex back office processes that will require significant testing of new functionality and regression testing of existing features of the overall process. To successfully complete such a project would take a minimum of six months from the date that final requirements are published. We respectfully request that NASD allow at least this much time prior to the effective date of the rule.

Respectfully submitted,