



Securities Industry Association

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September 30, 2002

Margaret H. McFarland
Deputy Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: File No. SR-NASD-2002-108: Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Business Continuity Plans and Emergency Contact Information

The Securities Industry Association (“SIA”)¹ and the Bond Market Association (“TBMA”)² (collectively, the “Associations”) are pleased to comment on the proposal (“Proposal”) by the National Association of Securities Dealers, Inc. (“NASD”) to adopt Rule 3510 (concerning Business Continuity Plans) and Rule 3520 (concerning Emergency Contact Information).

We commend the NASD in their continuing efforts to consider steps that member firms can take to ensure that they are prepared for possible future business disruptions. We support industry-wide implementation of business continuity plans. Indeed, in December 2001, SIA formed a Business Continuity Planning (“BCP”) Committee by incorporating a preexisting informal industry forum known as the Securities Industry Business Continuity Management Group. The Committee’s mission is to:

- Provide a forum for securities firms, industry organizations, and service providers to share specific plans and business continuity information.

¹. The Securities Industry Association brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. The U.S. securities industry manages the accounts of nearly 93 million investors directly and indirectly through corporate, thrift, and pension plans. In the year 2001, the industry generated \$198 billion in U.S. revenue and \$358 billion in global revenues. Securities firms employ approximately 750,000 individuals in the United States. (More information about SIA is available on its home page: <http://www.sia.com>.)

² The Bond Market Association represents securities firms and banks that underwrite, trade and sell debt securities, both domestically and internationally. More information about the Association is available on its Internet home page at <http://www.bondmarkets.com>.

- Identify and develop business continuity plans and projects that have an industry-wide, rather than firm-specific, focus.
- Provide liaison between the securities industry and government legislators, regulators, and service providers, as well as to related industries such as telecommunications and power utilities.

Similarly, TBMA also formed a Business Continuity Management Council (“BCMC”), which serves as a standing advisory committee of TBMA’s Board to advise on, and coordinate, TBMA’s activities relating to fixed income business or industry utility disruptions and policy responses to the September 11th tragedy. The BCMC is composed of members of preexisting committees of TBMA, in addition to others with expertise in business continuity planning. TBMA is mindful of the need to ensure careful coordination with other industry groups that are working in this area, and will in particular provide input on an ongoing basis to SIA’s BCP Committee, as its work relates to fixed income issues.

In May 2002, the Associations responded to the initial publication of the proposed concerning Business Continuity Plans and Emergency Contact Information. We appreciate the inclusion of many of our comments in your latest published proposed rules. Our intent with this comment letter is to re-iterate points which we believe remain in the best interests of our memberships, and to provide comments on other points raised in the proposed rules.

General Comments

The Associations applaud the coordination of rule changes between regulators as evidenced by the NYSE and NASD. Just as the Associations are working to coordinate the response of the securities industry, it is important that regulatory efforts be similarly coordinated.

Specific Comments

Proposed Rule 3510: Business Continuity Plans

The Associations agree that the requirements of a business continuity plan must be tailored to the size and needs of an individual member firm, but that each plan must at a minimum address the aspects of continuity that are addressed in the release.

We offer the following specific comments on the Plan Elements:

- **Rule 3510(c)(1)** – Books and records back-up and recovery (hard copy and electronic). As a drafting point, we merely seek confirmation of our understanding that “hard copy and electronic” refers to the types of books and records a firm might maintain. Read another way, the parenthetical could be misinterpreted as suggesting that each book or record would be backed up and recoverable on both hard copy and electronic formats.

- **Rule 3510(c)(6)** - Business Constituent, Bank and Counterparty Impact - We believe this element requires some additional information so that firms have a clearer idea of what their plans ought to address.

We hope that these comments are helpful. Please feel free to contact Art Trager, Vice-President & Managing Director, Technology & Operations (212-618-0546; atrager@sia.com) with any additional questions you may have concerning these matters.

Very truly yours,

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