



Securities Industry Association

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December 16, 2004

Mr. Jonathan G. Katz
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Re: File No. S7-39-04
Fair Administration and Governance of Self-Regulatory Organizations

Dear Mr. Katz:

The Securities Industry Association respectfully requests an extension of the deadline for comments on the proposed rules concerning self-regulatory organizations contained in Release No. 34-50699 (the "Proposed Rules"), including those regarding Fair Administration and Governance of Self-Regulatory Organizations, to make it coterminous with the March 8, 2005 deadline for comments on the Concept Release Concerning Self-Regulation, Release No. 34-50700 (the "Concept Release").

The comment period for the Proposed Rules is set at 45 days after publication (January 24, 2005), a period that encompasses the December holidays. In contrast, the comment period for the Concept Release, which was approved by the Commission for publication at the same time as the Proposed Rules, carries a 90-day comment period, expiring on March 8, 2005. Commissioners Glassman and Goldschmid asked the Staff at the meeting at which the Proposed Rules were approved for publication about the divergent comment deadlines. The commissioners were advised that the Staff believed that the rulemaking should not be surprising or controversial to commenters. SIA respectfully believes that that assessment might have been premature.

The proposing release for the Proposed Rules, running to nearly 400 pages and posing over 160 questions for comment, presents significant issues about the appropriate governing structure for self-regulatory organizations ("SROs"), including how best to deal with conflicts of interest inherent in self-regulation, and how best to maximize the expertise that SROs can bring to regulatory issues. Many similar issues are posed in the Concept Release. At a minimum, it is difficult to divorce a substantive discussion of many aspects of the Rule Proposal from the similar issues contained in the Concept Release. We believe that an additional 45 days will allow commenters to provide you a

fuller, more carefully considered set of comments on the Proposed Rules, and to combine those comments with the similar, if broader, questions posed in the Concept Release.

We understand that the Staff believes that some aspects of the Proposed Rules are pressing concerns that should be addressed in the near-term, while many of the questions raised in the Concept Release about the optimal structure, funding and objectives of self-regulation are longer-term concerns. SIA does not disagree with that view. Our proposal to extend the comment period for the Rule Proposal by an additional 45 days would not significantly delay any Commission action to address urgent shortcomings in the SRO oversight or governance requirements, but would give it the benefit of more fulsome and better-considered public comments. This could help the SEC to ensure that its short-term steps to address SRO governance are better related to its long-term goals for the future shape of self-regulation.

Alternatively, the SEC could extend the comment period for the rules relating to SRO governance and SRO ownership and voting restrictions, while maintaining the current January 24 comment deadline for the rules concerning SRO reporting and disclosure requirements. We believe that the SRO reporting and disclosure requirements are more straightforward and more directly tied to concerns that the Commission's Office of Compliance Examinations and Inspections may have about current deficiencies in its ability to oversee SROs.

For these reasons, we respectfully request that the deadline for comments on the Proposed Rules, or at least those portions that do not relate to SRO reporting and disclosure requirements, be extended to March 8, 2005. Please contact George Kramer at 202-216-2047 if you have any questions about this request.

Sincerely,

Marc E. Lackritz
President

cc: Chairman William H. Donaldson
Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Commissioner Cynthia A. Glassman
Commissioner Harvey J. Goldschmid
Annette Nazareth, Director, Division of Market Regulation
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