



The Security Traders Association of New York, Inc.

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August 13, 2007

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2001

Re: **SEC Release No 34-56103, File No. SR-NASD-2007-039**

Dear Ms. Morris:

The Security Traders Association of New York ("STANY")¹ respectfully submits the following comments concerning rule proposal SR-NASD-2007-039 filed by the National Association of Securities Dealers, Inc. ("NASD"), currently known, and hereinafter referred to, as the Financial Industry Regulatory Authority, Inc. ("FINRA"). In Release 34-56103, FINRA is proposing to delay implementation of certain rule changes approved in SR-NASD-2005-146 until after November 26, 2007. Specifically, FINRA is proposing to delay the approved rule changes that relate solely to the expansion of the scope of NASD IM-2110-2 to OTC Equity Securities and the related deletion of NASD Rule 6541.

STANY supports the proposed expansion of the Manning interpretation to OTC Equity Securities, but agrees with FINRA that the implementation date should be delayed in order to allow firms to make necessary systems changes to ensure the continuation of an orderly market.

STANY wishes to take this opportunity to support the position taken by Pink Sheets in its letter to the Commission of this date and again urge the Commission to require FINRA to disseminate real-time trade reports in OTC-traded ADRs². The proposed expansion of Manning without also providing real-time trade reporting for ADRs -- the most substantial part of the market for OTC Equity Securities -- will needlessly victimize investors.

The expansion of Manning to the OTC will encourage investors to submit limit orders in OTC traded ADRs. Broker-dealers that accept such orders will be required to execute them at the same or better price as the broker-dealer's proprietary executions for its own account. However, FINRA's failure to disseminate real-time trade and volume information for ADRs will prevent investors from determining whether their broker-dealers have complied with Manning. Although in the main we believe that broker dealers operate in the best interest of their customers, we fear that there may be some less scrupulous broker-dealers who would exploit the inability of customers to monitor their behavior by trading around customer orders.

Real-time trade information enables investors to evaluate the quality of executions they receive and deters "trading ahead" of orders and other improper trading practices. Market participants need real-time transaction and volume information to monitor the quality and firmness of quotations. Likewise, firms require this information to monitor compliance with the best execution obligations of their trading desks. The dissemination of real-time trade information therefore benefits investors and also strengthens markets.

¹ STANY is an affiliate of the Security Traders Association ("STA"), a worldwide professional trade organization for equities traders. With close to 1,500 members in the New York metropolitan area, STANY is the largest STA affiliate. STANY works to improve the ethics, business standards and working environment for members, who are engaged in the buying, selling and trading of securities.

² In a letter to Secretary Jonathan G. Katz dated September 19, 2005 in response to a request for comments on SEC Release No. 34-53508 (SR-NASD-2005-089), STANY made a plea to the Commission to require real-time trade reporting of OTC-traded ADRs.

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Within the context of trading foreign securities, the Commission stressed the importance of real-time dissemination of market data. While approving the permanent status of the OTCBB service and the rule changes that removed unregistered foreign securities from the OTCBB service, the Commission noted that transaction reporting would “better enable investors to monitor the executions they receive in foreign securities.”³ It should go without saying that investors can only gain the benefits afforded by transaction reporting, if the information reported is disseminated to the public.

Currently, a limited summary of ADR trading data is disseminated at the end of the day.⁴ This information is inadequate to protect the investing public. However, FINRA collects real-time trade reports from broker-dealers for all OTC Equity Securities, including ADRs.⁵ For all OTC Equity Securities, except for ADRs, this information is immediately disseminated to the investing public on a real-time basis. FINRA withholds this information only for ADRs. STANY can see no valid reason for withholding this real-time data, the dissemination of which would serve to protect the investing public.

We have heard that one possible reason for the hesitation to require the distribution of real-time trade information in ADRs is that doing so may encourage trading in unregistered securities. This argument is specious. FINRA distributes real-time trade information for all domestic OTC Equity Securities, including information on over 20,000 unregistered domestic OTC Equity Securities. Unfortunately this includes securities of some questionable issuers, in whom STANY can only assume FINRA does not wish to encourage investment. In contrast, FINRA does not disseminate real-time trade data for the ADRs of issuers that are listed on the world’s leading exchanges and are compliant with the Information Supplying Exemption.

It has been 10 years since the Commission urged FINRA to provide for public dissemination of trade reports for OTC transactions in unregistered ADRs. The continued failure of FINRA to disseminate real-time transaction reports for unregistered ADRs serves no valid policy objective and deprives investors and the OTC markets of the important benefits of real-time transaction reporting in foreign securities. We urge the Commission to require FINRA to commence real-time dissemination of transaction and volume reporting for ADRs concurrently with the implementation of Manning limit order protection.

Members of the STANY Board of Directors, STANY’s International Committee and STANY’s Trading Issues Committee would be happy to discuss this matter with the Commission and with the NASD. Please do not hesitate to call on us with any questions.

Respectfully submitted,

Stephen Kay
President

Kimberly Unger
Executive Director

cc: Chairman Christopher Cox
Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Commissioner Annette L. Nazareth
Commissioner Kathleen L. Casey
Dr. Erik R. Sirri, Director, Division of Market Regulation

³ SEC Release No. 34-36456, 1997. The SEC’s comments were directed specifically to the trading of unregistered foreign securities. The Service currently disseminates real-time transaction reports for unregistered domestic securities. The failure to similarly disseminate real-time transaction reports for unregistered ADRs serves no valid purpose. Investors are being deprived of the significant benefits of real-time transaction information in foreign securities specifically addressed by the Commission.

⁴ The end of day data is a summary report consisting of opening price, high price, low price, last price and volume for OTC trading of ADRs. Individual trade data is not disseminated to the public.

⁵ SEC Release 34-55745 (May 11, 2007)(SR-NASD-2007-030) Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Trade Reporting Obligations for Transactions in Foreign Equity Securities.