

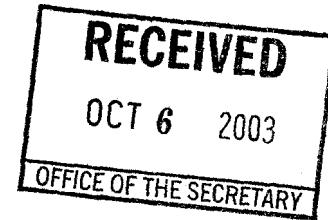


# 84

# PACE UNIVERSITY

NEW YORK CITY • WESTCHESTER

SCHOOL OF LAW



## PACE INVESTOR RIGHTS PROJECT

Director  
BARBARA BLACK  
914-422-4236  
[BBBLACK@LAW.PACE.EDU](mailto:BBBLACK@LAW.PACE.EDU)

78 NORTH BROADWAY  
WHITEPLAINS, NY 10603  
FAX: 914-422-4391

DIRECTOR  
JILL I GROSS  
914-422-4061  
[JGROSS@LAW.PACE.EDU](mailto:JGROSS@LAW.PACE.EDU)

Staff Attorney  
ALICE OSHINS  
914-861-9105  
[AHOSHINS@AOL.COM](mailto:AHOSHINS@AOL.COM)

October 2, 2003

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

Re: File No. SR-NASD-2002-162

To Whom It May Concern:

We are writing in response to the Commission's solicitation of comments to the Notice of Filing of Amendment Nos. 1 and 2 to Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Supervisory Control Amendments. We are commenting on behalf of the Pace Investor Rights Project whose mission includes advocacy in the area of investor justice. We write to declare our support of the new NASD Rule 3012 and other suggested amendments to existing rules. These amendments focus on procedures that should help ensure fair practice and dealing in member operations. We agree that they are in compliance with Section 6 (b) (5) of the Exchange Act because they do in fact promote just and equitable principles of trade and generally protect investors and the public interest.

These Supervisory Control Amendments help ensure that members implement adequate safeguards against misconduct in their day-to-day operations. This is essential to protecting investors' interests and investments. We are impressed by the detailed and specific procedures outlined in these amendments. However, in our view, the following suggestions would enhance further their effectiveness:

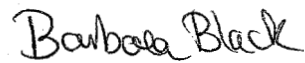
- Proposed 3012(b) (Dual Member) should be deleted from the Rule. It allows for the Rule's requirements to be satisfied if similar NYSE rules (NYSE Rules 342, 401, 408, and 410) are

satisfied. However, the amendments to NASD Rules are much more specific and detailed, calling for more compliance. For instance, NYSE Rule 342.19 requires a supervisory plan for managers, while NASD Rule 3012 (a) (2) (C) calls for a similar supervisory plan, but includes a requirement for heightened supervision for managers who are responsible for generating 20% or more branch income. Allowing firms to satisfy NASD Rules through compliance with leaner NYSE requirements creates a loophole for those firms that are NYSE members that defeats the objective of effective, consistent supervision.

- We agree with the objective of proposed Amendment to 2510(d)(1), requiring discretionary power to expire at the end of the business day. Enforcement of the rule, however, would be improved if firms were required to notify their clients of its requirements. Creating a means of communicating this rule to clients creates an additional safeguard against potential abuse since clients will be aware of the expiration and can check the behavior of member associates.

Thank you for your consideration of these comments. Please do not hesitate to contact us if you would like to discuss these issues further.

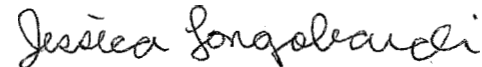
Sincerely yours,



Barbara Black, Director



Jill I. Gross, Director



Jessica Longobardi, Student Intern