



Financial Industry Regulatory Authority

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March 26, 2008

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: File No. SR-FINRA-2007-039 – Proposed Rule Change to Establish an Exemption for Certain Regulation NMS-Compliant Intermarket Sweep Orders from the Requirements in IM-2110-2 and Rule 2111; Response to Comments

Dear Ms. Morris:

On December 21, 2007, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“Commission”) SR-FINRA-2007-039, proposing to amend NASD Interpretive Material (IM) 2110-2 (Trading Ahead of Customer Limit Order) and NASD Rule 2111 (Trading Ahead of Customer Market Orders) to establish an exemption for certain proprietary trades that are a result of intermarket sweep orders (“ISOs”). On February 11, 2008, FINRA filed Amendment No. 1 to the proposed rule change.

On March 5, 2008, the Commission published for comment the proposed rule change in the Federal Register.¹ The Commission received one comment letter in response to the Federal Register publication, which is summarized and responded to below.²

Summary of Comments and Response

The commenter raises two issues relating to the application of IM-2110-2 to OTC equity securities, neither of which is germane to this filing. First, the commenter indicates that the expansion of IM-2110-2 to OTC equity securities will harm investors who own higher-priced OTC equity securities, resulting in decreased

¹ See Securities Exchange Act Release No. 57388 (February 27, 2008), 73 FR 11963 (March 5, 2008) (notice of filing of SR-FINRA-2007-039).

² The Commission received one comment letter from Craig Carlino of Monroe Securities.

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liquidity and speed of executions, as well as inferior executions. Second, the commenter believes that a liberalization of the definition of the size of the order on which terms and conditions may be negotiated relating to the application of IM-2110-2 is appropriate.

FINRA believes that the comments provided do not pertain to the proposed ISO exemption and therefore do not require a specific response as part of this filing; rather the comments relate to the implementation of a rule change already subject to notice and comment and approved by the Commission in SR-NASD-2005-146 relating to the expansion of IM-2110-2 to OTC equity securities. SR-FINRA-2007-039 is limited to establishing an exemption for certain Regulation NMS compliant ISO order from the requirements in IM-2110-2 and Rule 2111.

If you have any questions, please contact me at (202) 728-8156; email: andrea.orr@finra.org. The fax number of the Office of General Counsel is (202) 728-8264.

Very truly yours,

A handwritten signature in black ink, appearing to read "Andrea D. Orr", with a stylized flourish at the end.

Andrea D. Orr
Assistant General Counsel

cc: Joseph P. Morra (Securities and Exchange Commission)
Andrew Madar (Securities and Exchange Commission)