

April 9, 2007

Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1506

Re: Notice to Members 07-12: Rule Harmonization
Proposed Amendments to Rules 3010(g) and 2711

Dear Ms. Sweeney:

We are submitting this letter in response to a request for comments by the National Association of Securities Dealers ("NASD") published in Notice to Members 07-12 titled Rule Harmonization. Great American Advisors®, Inc. ("GAA") appreciates this opportunity to respond to the NASD's request for comments.

While GAA understands the NASD's intentions to work diligently toward the creation of a single rulebook to align its rules with the New York Stock Exchange ("NYSE") rules, such alignment, in certain cases, creates substantial policy, procedure, training, and expense issues for its member firms.

NASD Rule 3010(g)(1) defines the term Office of Supervisory Jurisdictions ("OSJ") to mean any office of a member at which any one or more of the following functions take place: (A) order execution and/or market making; (B) structuring of public offerings or private placements; (C) maintaining custody of customers' funds and/or securities; (D) final acceptance (approval) of new accounts on behalf of the member; (E) review and endorsement of customer orders, pursuant to paragraph (d) above; (F) final approval of advertising or sales literature for use by persons associated with the member, pursuant to Rule 2210(b)(1); or (G) responsibility for supervising the activities of persons associated with the member at one or more other branch offices of the member.

Notice to Members 07-12 indicates that the amendments to Rule 3010(g) are necessary to address the differences in the NASD's and the NYSE's classifications of OSJ/branch offices that currently exist between the two regulatory entities. It is apparent that the key difference impacting branch office rule harmonization is the NASD's OSJ definition and the fact that the NYSE does not have an OSJ definition. Moreover, NASD rules require locations where the final principal approval of advertising or sales literature, including research reports, is conducted to be registered as an OSJ. The NYSE defines locations where a member stations a Series 16 qualified supervisory analyst solely to review research reports as a "non-sales location". As a result, certain NYSE "non-sales locations" would be required to register as an OSJ under the NASD's current definition.

The proposal to eliminate the definition of OSJ from the NASD's rulebook and to adopt new express definitions for the terms "supervisory branch office", "limited supervisory branch office", "non-supervisory branch office", and "non-branch office" creates many consequences for the NASD's 5,100 member firms.

As a member firm, GAA has established and maintains comprehensive and effective Written Supervisory Procedures, tailored to its business activities, reasonably designed to achieve compliance with applicable NASD rules, MSRB rules and federal securities laws and regulations. Should the NASD eliminate the definition of OSJ and adopt new branch and non-branch definitions, member firms will be required to substantially change their Written Supervisory Procedures to incorporate the new definitions and to amend their policies and procedures to conform to the new definitions.

NASD member firms have established training programs for their associated persons based on their Written Supervisory Procedures. Such associated persons have been trained on the intricacies of OSJ, registered branch office, and non-registered branch office functions, requirements, policies, and procedures. Consequently, the NASD's proposal to redefine "branch offices" will require member firms to retrain all of their associated persons under the newly adopted definitions.

The process of amending Written Supervisory Procedures, developing new policies and procedures, and retraining all associated persons on the new definitions of branches and the changes to the firm's Written Supervisory Procedures will require the dedication of significant resources from member firms. While member firms are responsible for the ongoing maintenance of Written Supervisory Procedures, such branch definition amendments create unique training challenges and potential supervisory restructuring issues that would need to be addressed individually by each member firm. Member firms would be required to dedicate staff to amend their Written Supervisory Procedures and to retrain branch managers (i.e. persons in charge), registered principals, and OSJ personnel. Subsequently, member firms will incur extensive unbudgeted expenses to address these issues.

While Rule 3010(g)(1) does present inherent issues for certain NYSE locations where a member stations a Series 16 qualified supervisory analyst solely to review research reports, it appears that other solutions may be available to address this issue in lieu of eliminating the entire OSJ definition and creating four new branch definitions. For example, it may be plausible to allow for an exception to Rule 3010(g)(1)(F) specifically for locations where a member stations a Series 16 qualified supervisory analyst solely to review research reports. Such locations could be exempted from the OSJ definition. This would allow the NASD's current member firms to operate consistent with Rule 3010(g)(1) in its current form. Moreover, such an exemption would allow for minimal impact to the NASD's 5,100 member firms. In addition, such exemption would appear to align those NYSE member firms impacted by the NASD's current OSJ definition.

While it is apparent that certain rule amendments may be necessary to align the NASD and NYSE under one rulebook, the impact of redefining OSJs creates substantial consequences for current NASD member firms. We request that the NASD consider such consequences and consider a limited exception to Rule 3010(g)(1)(F) that will allow for minimal impact to its current member firms and will allow for the alignment of those NYSE firms effected by the NASD's current OSJ definition.

We are pleased to have the opportunity to provide these comments and hope that they can assist the NASD in developing rules that are fair, sensible, and appropriate for all members firms.

Sincerely,

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