

August 5, 2005

Via E-mail Delivery

Ms. Barbara Sweeney  
National Association of Securities Dealers  
Office of the Corporate Secretary  
1735 K Street NW  
Washington, DC 20006-1500

Re: Comments on Proposed Creation of a new Rule 2311 - Notice to Members 05-40

Dear Ms. Sweeney:

Contemporary Financial Solutions ("CFS") is a broker-dealer member firm of the National Association of Securities Dealers, Inc ("NASD") and is a wholly owned subsidiary of Mutual Service Corporation.

We at CFS appreciate the opportunity to respond to the NASD's request for comments on the proposed new Rule 2311 outlined in Notice to Members 05-40. We understand that the objective in the creation of Rule 2311 would be to prohibit all product specific sales contests and to apply existing non-cash compensation rules to all securities.

The extension of the non-cash compensation rules to other securities also creates the opportunity to simplify the Rules by consolidating them under one new rule. Generally speaking, we encourage attempts by the Staff's to consolidate and simplify the Rules as much as possible.

Please review the following concerns that we have regarding the proposed Rule.

1. The Old Rules were clear that a member firm had different requirements when dealing with "training or education meetings" with respect to its own programs offered to its associated persons, as long as no unaffiliated member or non-member firm was involved in "organization" of such non-cash compensation activities. Further, the Old Rules permitted contributions by nonmember companies or other members to such activities under certain conditions. One such condition was that they were not allowed to be involved involved in "organization" of the activities. The new Rule language appears to eliminate such activities or, at least, subject such activities to the narrower requirements described under proposed 2311(b)(3). This would be a change for the industry and may have the unintended consequence of potentially reducing education and training opportunities for associated persons.
2. Section (b) (3) should be clarified as only applying to education programs offered by non-affiliated companies and members. As drafted, mentioning an "offeror or member " together, seems to put a product offeror in the same cast as a broker dealer member holding a training program for their representatives. There does not seem to be a reason to apply the restrictions on location (for example) for internal broker-dealer meetings, whether incentive based or not. The purpose of Rule 2311 is to reduce the impact of incentives on the associated person's choice of products (or - if implemented as proposed - on the associated person's choice of product lines) and not to place further limitations on properly administered and disclosed forms of compensation that member firms can utilize to compensate associated persons.

3. The final paragraph of NTM 05-40 describes the last piece of the puzzle in order to reach the Staff's intended objectives vis-à-vis conflicts of interest arising out of compensation schemes. Until such time that the Staff is able to coordinate with the SEC to work through the potential conflicts of interest that may occur simply by the fact that one investment company prices their product (at a given sales point) at 5.75% dealer reallowance, while another prices a similar, competing product at 4.5%, some potential conflict may remain.

Specifically, the Staff requested comment as to whether or not this proposal:

1. **Makes the rules clearer?** We believe that, unfortunately, the Rules are no more clear, merely extended to include other securities.
2. **Prohibits legitimate forms of compensation?** See #3 below.
3. **Should retain the allowance of a non-member from contributing to a non-cash arrangement as long as total production and equal weighting standards still apply?** We believe that this practice should be allowed to continue as long as it is controlled and subject to the current total production and equal weighting standards.

We appreciate the opportunity to comment on Proposed Rule 2311. Please feel free to contact the undersigned if you have any questions or wish further clarification of our comments.

Respectfully submitted

Timothy J. Lyle  
Senior Vice President and  
Chief Compliance Officer