From: Shay, James [Shayjw@AGEDWARDS.com]
Sent: Monday, April 12, 2004 5:26 PM
To: 'rule-comments@sec.gov'
Subject: File No. S7-06-04, A.G. Edwards & Sons, Inc. Comment Letter

Jonathan G. Katz, Secretary *Via Electronic Mail*
U.S. Securities and Exchange Commission
450 Fifth St. N.W.
Washington D.C. 20549-0609
rule-comments@sec.gov

Re: File No. S7-06-04, Confirmation Requirements and Point of Sale Disclosure Requirements for Transactions in Certain Mutual Funds and Other Securities

Dear Mr. Katz:

I am writing on behalf of A.G. Edwards & Sons, Inc. ("A.G. Edwards") to comment on the rule proposal referenced above (the "Proposal") regarding new disclosure requirements for certain securities, including mutual funds, UITs, 529 Plans and variable annuities and variable life policies.

A.G. Edwards recognizes and applauds the SEC's efforts to improve disclosure to investors of investment company securities, particularly mutual funds. In order to restore public confidence in mutual funds, we believe it is essential to fully disclose information relating to sales charges, revenue sharing, portfolio brokerage commissions and differential compensation. However, we believe that this important information can be delivered more effectively by making it available to investors through a public website and toll-free telephone number and by revising existing prospectus requirements to require a summary section containing this information.

We wish to express our support for the views expressed in the comment letter submitted to you by the Investment Company, Operations, Savings and Retirement, Clearing, and Independent and Small Firms Committees of the Securities Industry Association ("SIA"). In particular, we strongly agree with the SIA's disclosure alternative and the reasoning supporting its proposal for web-based disclosure and toll-free telephone access to information relating to revenue sharing, portfolio brokerage commissions and differential compensation. In addition to the comments presented by the SIA in its letter,

A.G. Edwards would like to stress the importance of maintaining the prospectus as the principle document for providing meaningful disclosure to investors.

The existing regulatory framework already requires that extensive disclosures relating to fees, costs and other important information be provided to investors through the applicable investment company prospectus. By revising this existing document, relevant information could be provided in a more cost-effective and investor friendly manner. For instance, a separate summary section could be created for each prospectus, highlighting information regarding sales charges, expenses, revenue sharing arrangements, portfolio brokerage policies and breakpoint opportunities. A sample summary is attached with this e-mail. The SEC could require broker-dealers to deliver this summary section of the prospectus to investors at the point of sale. The full prospectus could then be delivered with the confirmation. Investors who wish to learn more detail regarding the complex operational aspects of these investments can reference the body of the full prospectus or the Statement of Additional Information. This new structure would be similar to the "summary" or "profile" prospectus advocated by the SEC and NASD in the early 1990s, and would obviate the need to develop a new disclosure for delivery at the point of sale. This revised format and delivery requirement would make the document more inviting to the investor and promote its use as the principal vehicle for providing useful information regarding investment company securities.

Investors would not be well served by having additional documents thrust upon them when purchasing investment company securities. Should the SEC decide to require additional point of sale disclosure and the more detailed confirmation described in the Proposal, investors would be inundated with multiple documents at the time of, or shortly after, purchase. Not only would the investor receive the new disclosure and a lengthy confirm for each mutual fund that he or she purchases, the investor would also receive the offering prospectus, a semi-annual report, an annual report, a proxy, and, normally, at least one updated prospectus in the first year of investment. Moreover, the increase in documentation would come at a cost, which ultimately would be borne by shareholders in the form of higher fees.

Finally, when receiving this additional documentation, investors may be left with the impression that an investment in a mutual fund or other investment company security presents a greater concern than an investment in an individual stock or bond. The implementation of these proposed disclosures could have the unintended effect of discouraging investments in investment company securities that provide the benefit of diversification through professional money management.

We urge the SEC not to adopt the new point of sale and confirmation disclosures outlined in the Proposal. Rather, we believe that expanded disclosure can be better addressed by revising existing prospectus requirements and through the web-based disclosure alternative presented by the SIA in its comment letter.

Thank you for the opportunity to comment on this important proposal.

Respectfully Submitted,

Mike Scafati
Senior Vice President
A.G. Edwards & Sons, Inc.

Attachment:

<<Summary of Fees and Expenses-1.doc>>

Summary of Fees and Expenses

Total Costs for holding a mutual fund based on shares class:			
Shareholder Fees (paid directly from your investment)	**A**	**B**	**C**
Maximum Sales Charge (Load) Imposed On Purchases (as a percentage of offering price)			
Maximum Deferred Sales Charge (Load) (as a percentage of offering price)			
Maximum Sales Charge (Load) Imposed on reinvested Dividends and Other Distributions (as a percentage of offering price)			
Redemption Fee (as a percentage of amount redeemed)			
Exchange Fee			
Annual Fund Operating Expenses (expenses that are deducted from Fund assets)			
Investment Advisory Fees			
Distribution (12-b-1) Fees			
Other Expenses:			
Shareholder Servicing Fees			
Other			
Total Other Expenses			
Total Annual Fund Operating Expenses			
Total Cost of $10,000 investment if held for 5 years			
Total Cost of $10,000 investment if held for 10 years			
Total Cost of $10,000 investment if held for 15 years			
Total Cost of $100,000 investment if held for 5 years*			
Total Cost of $100,000 investment if held for 10 years*			
Total Cost of $100,000 investment if held for 15 years*			
Total Cost of $1,000,000 investment if held for 5 years*			
Total Cost of $1,000,000 investment if held for 10 years*			
Total Cost of $1,000,000 investment if held for 15 years*			

*Assumes sales load discounts to customers that have invested over a certain dollar amount. These discounts may be calculated based on your current purchase or on your aggregate holdings, and may also include the holdings of your family or household members.

I. **Asset based fees** – Asset-based sales charges and service fees (such as 12-b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that otherwise would be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often will have higher asset-based fees that comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later years, convert to a share class with lower asset-based fees.

II. **Revenue Sharing** – This document provides information about revenue sharing that the broker-dealer has received from affiliates of the fund, and portfolio brokerage commissions that the broker-dealer ahs received from the fund or its affiliates. Those amounts are stated as a percentage of the broker/dealer's sales on behalf of the fund complex – consisting of the fund or its affiliates – over a recent 12-month period. For example, if a broker-dealer received $1 million in revenue sharing from a fund complex over that period, and the broker-dealer sold $50 million worth of shares for the fund complex over that period, then revenue sharing represents 2 percent of total sales. Based on that percentage, this confirmation also states the amount of that compensation that may be associated with this transaction. These are only estimates, and your broker-dealer can provide you with more specific information.

III. **Brokerage Commission** – Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.

IV. **Special compensation received by broke**r –

V. **Are brokers paid more to sell certain funds?** –

VI. **Breakpoints** – Many mutual fund companies offer sales load discounts to customers that have invested over a certain dollar amount. These discounts may be calculate based on your current performance or on your aggregate holdings, and may also include the holdings of your family or household members. To ensure that you are obtaining all available discounts, you should talk with your broker or financial advisor. The amount you invested 9together with any holdings of which we are aware) would have entitled you to a sales load of 4.17% of NAV had you bought a share class that is subject to a front-end sales load. Instead, you bought a share class that is not subject to a front-end sales load, but is subject to annual asset-based sales charges of 0.75% of net asset value for a period of 6 years.

VII. **Rights of Accumulation –** You may take into account the current value (or if greater and upon your request, the amount you invested less any withdrawals; however, capital appreciation and reinvested dividends and capital gains do not apply) of your existing holdings in any class of shares of the American Funds to determine your Class A sales charge. In addition, you may also take into account the current value of your individual holdings in various American Legacy variable annuity contracts and variable life insurance policies to determine your Class A sales charge. Direct purchases of money market funds are excluded.