



April 4, 2005

Jonathan G. Katz, Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609  
Delivered via e-mail to: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Re: File Number: S7-06-04

Dear Mr. Katz:

I am writing to comment on the SEC rule proposal regarding Point of Sale Disclosure Requirements and Confirmation Requirements for Transactions in Mutual Funds, College Savings Plans, and Certain Other Securities, and Amendments to the Registration Form for Mutual Funds. My comments are made on behalf of an independent broker/dealer, NEXT Financial Group Inc., and our 600 registered representatives. We, collectively and individually, are opposed to the adoption of the rule in its entirety as unduly burdensome and cost prohibitive to the broker/dealer, which ultimately results in detriment to the customer.

While disclosure of fees and expenses is important, who better to explain those fees and expenses than the mutual fund company that controls those fees and expenses? It has always been the duty of the mutual fund company to fully disclose risks, fees and expenses to the customer via the prospectus. The prospectus, by far, is the most comprehensive vehicle for disclosure. By requiring the broker/dealer to provide additional product specific disclosure to each client is tantamount to requiring each broker/dealer to create individualized "mini prospectuses" for each fund they offer. Such a requirement is unduly burdensome to the broker/dealer and may very well result in confusion to the customer.

Though not addressed as an intentional result, this Point of Sale Disclosure could result in broker/dealers being forced to limit the amount of funds they offer, in order to comply with this disclosure rule. If each broker/dealer must limit the amount of funds they offer, ultimately, this will limit the customers' ability to be offered a variety of investment

choices. I do not believe that the Commission has thoughtfully considered the negative consequences to the investor.

Ultimately, the Point of Sales Disclosure will result in fewer choices, more confusion and additional expense to the investor. As the broker/dealer incurs excessive and restrictive expense to comply with this rule, that expense, in one form or another, will ultimately be passed to the customer. The broker/dealer will not be able to absorb the additional costs without severe impacted to the firm's capacity, resources and services.

Also, the requirement to produce disclosure documents on funds and share classes in which customer ultimately chooses not to invest, is not only burdensome to the broker/dealer but will result in more confusion to the customer. Investors could reasonable expect to receive in excess of twenty disclosure forms through the decision-making process and when the final investment decision is made, what becomes of all the "unchosen" disclosure documents? Would the broker/dealer and the customer be expected to maintain these documents regarding investments not made?

Additionally, I believe that the Commission's rule proposal will create undue emphasis on cost factor of investing as opposed to focusing on suitability and appropriateness of the investment itself. Cost of investing is one factor in the overall investment recommendation and selection process, but it should never be the only factor. For example, bond funds tend to have lower annual expenses than stock funds but that does not mean that bond funds are the most suitable investment for every customer.

With regard to the Commission assumptions that the delivery of Point of Sale Disclosure can be made by the broker/dealer without undue burden is short-sighted and evidences the Commission's lack of understanding of how most independent broker/dealers transact business. Many independent firms process 50% or more of their mutual fund, variable annuity and 529 business via "check and application", meaning that the broker/dealers depend on the investment companies to provide trade confirmations. Most broker/dealers do not possess systems in which to deliver purchase confirmations; therefore, the Commission would be requiring firms to engage significant resources for equipment, technology, staffing and mailing costs. Imposing this requirement will hinder efficiency, as the broker/dealers will have to bear all of the direct and indirect costs associated with creating, updating and transmitting the proposed confirmations.

In closing, I would like to add that if the Commission feels that prospectus does not do an adequate job of informing customers of the risks, fees and expenses of investing in mutual funds, then the Commission should continue to work with the mutual fund

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companies to make the necessary changes to the prospectus disclosures rather than creating yet another document to cover the proposed flaws in the prospectus.

Thank you for the opportunity to express my opinion in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey M. Auld". The signature is fluid and cursive, with a large initial "J" and "M".

Jeffrey M. Auld  
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