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April 3, 2005

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Dear Mr. Katz,

I would first like to thank you for the opportunity to comment on the proposed rules release 33-8358, covering rules 15c2-2 and 15c2-3, amendments to rule10b-10 and Form N1-A. I am in support of proposed rule 15c2-2 requiring brokers, dealers and municipal securities dealers to provide customers with information about distribution-related costs and disclosure of distribution related arrangements involving those types of securities that pose conflicts of interest for brokers, dealers and municipal securities dealers. However, I do not support proposed rule 15c2-3 requiring brokers, dealers and municipal securities dealers to provide point of sale disclosure to customers about costs and conflicts of interest before the transactions is made.

Before I explain my specific thoughts on proposed rule 15c2-2 and proposed rule 15c2-3, let me take a moment to explain my reasoning when evaluating these proposed rules. First, I fully believe that investors should be provided with important and accurate information regarding their investments decisions whenever reasonably possible and cost effective. Detailed disclosure can increase investor confidence in the market and lead to increased efficiency and liquidity in the market. Also, I believe the issue of disclosure is an important topic considering all the recent scandals in the mutual fund market.

Second, when considering new disclosure requirements for dealers and brokers, who is going to pay for the new disclosures? On the surface, it will appear the dealers and brokerage firms will have to pay the costs associated with them, however, the dealers and brokers will end up passing along all those extra costs to the investors. When there is a proposal to help protect investors by increasing disclosures, it is important to remember that the increase in disclosers will be paid for by the investors.

Therefore, my basic reasoning regarding this issue is, does the benefit to the investor out way the cost to the investor? I believe that a simple cost benefit analysis shows that the proposed rule 15c2-2 is a good call for investors but proposed rule 15c2-3 is a mistake and will hurt investors.

Proposed Rule 15c2-2

I believe that proposed rule 15c2-2 will be beneficial to investors at a reasonable cost. Many investors do not know what kind of conflicts of interest their dealers and brokers face. Knowing those conflicts of interest that dealers and brokers face can help investors make more informed choices in picking a broker or dealer. The added breakdown of cost associated with those investments will also help in making better choices about which investment is right for them. At a cost of only $160 million the benefits would be worth the costs. By the SEC's estimates, that would only be an approximate cost of $29,400 annually per broker or dealer. I support this proposal and urge the commission to enact it. With regards to amending rule 10b-10, I would also support those changes to prevent redundancy with 15c2-2 and to save the costs associated with rule10b-10.

Proposed Rule 15c2-3

The commission should not enact proposed rule 15c2-3, it would be a mistake and would hurt investors more than it would help them. There are several reasons why proposed rule 15c2-3 would be a mistake to enact.

1. It is too expensive. Proposed Rule 15c2-3 would cost $450 million in initial costs and almost a $1 billion annually. This is a billion dollar tax that goes right on the investors. It is a large sum of money, considering the entire mutual fund industry only brings in $16 billion in revenue. The annual cost to each of the 54 million households that invest in mutual funds is over $50 a year. I don't think the investors are willing to pay this.

2. It is redundant, most of the information the commission is suggesting be provided is already in the prospectus. It would be unnecessary to create an entirely new disclosure form for the same information that would only serve to confuse investors. This would cause needless information overload. Any information that is not in the prospectus would be in the confirmation report that is already required to be sent out under rule 10b-10 and will be required under rule 15c2-2.

3. It is of minimal benefit to have the information before the transaction is complete. In its proposal the SEC makes the argument that it would be of benefit to have the cost and conflict of interest information before they make the transactions. This would aid them in making more informed decisions. This is a true statement, however, that benefit does not compare to its cost. The benefit of having the information up front is of minimal importance. It can help to make a better decision as to go with a broker or not, but so will the confirmation report. If a dealer or broker has a transaction with an investor in which the investor ends up paying a large amount of costs associated with that investment, the investor will find this out when he receives his confirmation report. Having found out that information the investor can choose not to do business with that particular dealer or broker again. The only loss the investor had is the difference between what he paid that dealer and the amount he would have paid a different dealer or broker

for the same investment. This situation would be more likely to happen with a smaller retail investor as compared to an institutional investor. The institutional investor would presumably know the market place better and would not be overcharged as much. Because retail investors are usually smaller in dollar amounts the loss would also be smaller. So, the benefit from having the information before hand is only of minimal value compared to a large cost.

4. It will make the funds less available. Brokers and dealers may decide to offer fewer mutual funds because of the information they would be required to have on the fund to comply with the disclosure requirements. This will give investors less choices and decrease liquidity in general.

5. Many investors pick brokers based on trust. Many retail investors will not care about the cost break down disclosures and conflicts of interest. They choose a broker based on who they are most comfortable with and who has treated them well in the past. If a broker is providing the service that is expected from an investor, that investor will be unlikely to change based on these new disclosures. Most institutional investor will not choose a broker or dealer based on trust itself and they most likely already know about possible conflicts of interest and costs associated with any particular fund.

6. If it is so important let the market demand it. Instead of regulating this type of disclosure allow the market to create it from investor demand. If it is of such benefit to investors then some brokers or dealers may choose to use this type of disclosure as a sales tactic to bring in more business. If it is something investors want then those dealers or brokers will take more business from the other dealers or brokers causing them to have to respond by offering the same disclosures.

7. Many investors wouldn't even read it. As bad as it may seem, many investors just take the advice of their brokers when deciding which investments to choose. It would not be wise to spend so much money on a something that is not even going to be read.

As I stated earlier, investors should have proper information in order to make wise investment decisions. I share the commission's goals to achieve this. I also believe that the proposed rule 15c2-3 would not be a benefit to the investors with the huge price tag it has. That is why I urge the commission not to enact proposed rule 15c2-3.

Thank you again for giving me the opportunity to comment.

Sincerely,

Christopher Wassink
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University of Southern California