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April 4, 2005

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609

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

Dear Mr. Katz:

Thank you for the opportunity to submit additional comments on the new rules proposed by the Securities and Exchange Commission (the "SEC" or "Commission") to govern the information that broker-dealers are required to provide to their clients in transactions involving shares of mutual funds, 529 college savings plan interests ("529 Plans") and variable insurance products (collectively, "covered securities"). Under the Commission's proposal (the "Proposing Release"), as re-opened for comment March 1, 2005, new Rules 15c2-2 and 15c2-3 under the Securities Exchange Act of 1934 (the "Exchange Act") would require that significant amounts of information be disclosed to investors both at the point of sale and at the conclusion of transactions in such shares.

We applaud the Commission's proposal to provide investors with clearer disclosure in connection with their purchase of covered securities and we support many aspects of the proposal. We believe, however, the Commission should give further consideration to the method of delivery of point of sale ("POS") disclosure. The Commission should consider in particular the unnecessary delay and client inconvenience that would result from requiring written POS disclosure before trade execution. We believe that oral or web-based disclosure would achieve the Commission's objectives without interfering with the client's ability to execute mutual fund or other covered securities purchases promptly. In addition, UBS Financial Services Inc. ("UBSFS") believes that the mutual fund companies, insurance companies and 529 Plan sponsors (together, the "Product Companies"), and not broker-dealers, should produce and maintain the POS disclosure information being considered in the Proposing Release.

Background

UBSFS is a U.S. broker-dealer that is part of one of the largest integrated financial services companies in the world. UBSFS as one of the nation's largest broker-dealers, offers and sells approximately 3000 mutual funds representing over 150 fund families. We estimate that in 2004, UBSFS executed, on average, approximately 29,000 mutual fund trades per day, each of which requires a confirmation pursuant to current Rule 10b-10 under the Exchange Act, and delivered a total of approximately 5.8 million mutual fund confirmations. This confirmation process involves well-developed coordination between UBSFS's sales force and its back-office support group. Moreover, it requires a large and complex back-office organization that can quickly and accurately assimilate incoming sales data and provide the necessary disclosure information and documents within the short timeframe mandated by mutual fund sales rules. UBSFS had worked for many years to develop just such an effectively functioning system.

Because of our extensive operations in all facets of the mutual fund industry, and because we are one of the country's largest broker-dealers in proprietary and non-proprietary mutual funds, we are extremely familiar with the systems and procedures that are necessary to comply with current confirmation rules and we will be significantly affected by the changes contemplated in the Proposing Release. Accordingly, we believe that we are well qualified to offer comments on those proposed amendments.

Point of Sale Disclosure

The proposed POS disclosure requirements appear to contemplate an outmoded notion of a multi-day purchase process initiated in a face-to-face meeting between broker and client. In fact, the vast majority of securities sales, including sales of covered securities, take place over the telephone during the course of a single broker-client conversation. Given the nature of the present-day broker-client interaction, the written POS document that the proposal focuses on is largely irrelevant in that such written POS disclosure would in most cases never reach the client prior to settlement of the transaction, and clients will not want to wait until they have received the POS document before being able to execute the transaction. In those instances where broker and client discuss investment options and enter the purchase order over the course of a single telephone conversation, a printed POS disclosure document generated as a result of that conversation would be mailed out to client the next day. The confirmation of that sale is also automatically generated and mailed out the next day. In this example, which in our experience represents the vast majority of covered securities sales, the POS disclosure document and the confirmation of the transaction would most likely arrive in the investors hands at the same time, several days after the order is placed. If the purpose of the POS disclosure is to provide investors with information regarding sales charges, annual fees and expenses, and conflicts of interest prior to effecting a purchase transaction, not only is that goal not achieved, but investors would be inundated by duplicative information in the POS disclosure document and confirmation, while receiving no additional benefit from the content of the POS disclosure document.

Oral POS Disclosure

One alternative as contemplated in the Commission's proposal would be for brokers to provide oral POS disclosure to clients prior to a purchase. Regardless of the form and content of the final POS disclosure as determined by the Commission, that disclosure could be delivered, in a manner prescribed in the final rule, by brokers over the telephone to their clients. The great advantage of permitting oral disclosure is that it would permit investors to consummate purchase transactions without the undue delay that would be caused by requiring prior delivery of a written POS disclosure document. One of the principal arguments against oral POS disclosure is the lack of an audit trail to demonstrate broker compliance. One means of addressing that concern would be to require brokerage firms to upgrade their current order-entry systems to incorporate click-through screens or similar processes, whereby a selling broker would attest to having provided all of the required POS disclosure to the client prior to consummating the transaction. Compliance with such requirements could be enforced by means of the broker-dealers' existing supervisory procedures as required under current NASD rules.

Web-Based Disclosure or "Access Equals Delivery"

Another alternative to the written POS disclosure would be for the Product Companies to provide standardized POS disclosure documents for each share class of each different fund or product that they offer. These documents would be made available on the Product Companies' public websites. Investors could access this information by means of a hyperlink on the broker-dealer's public website that would direct investors to the current POS disclosure information maintained by the Product Companies themselves. Investors wishing to review that information would be able to do so in a timely manner prior to consummating a purchase transaction.

Content of POS Disclosure

Regardless of how the POS disclosure is delivered to investors, the content of the disclosure must be the responsibility of the Product Companies to create and maintain in a standardized fashion. Otherwise, broker-dealers would have to parse through each prospectus or offering document for each product offered by each Product Company, and do that on a continuous basis to be certain that any changes to any of that data are accurately and timely reflected in the POS disclosure. Not only would such a process be unmanageable, but it would lead to the likelihood of differential disclosure among broker-dealers of what should be identical information when describing the same product.

As a general matter we would support the construct of the model proposed for covered securities in the Attachments to the Proposing Release, with some modifications. Because we believe that the content of the disclosure with regard to fees and expenses must be provided by the Product Companies, it is important that the disclosure use standardized total payment amounts only. The purpose of this information, and the value of it to investors, is to permit investors to make side-by-side comparisons among various investment options. The individualized actual investment amount that is contemplated in

Proposing Release and on Attachment 1 thereto does not improve the investor's ability to make these comparisons. It does, however, create a host of complications for the providers of this information, and may cause the POS disclosure to misrepresent actual costs by not taking into consideration rights of accumulation and other factors that would be reflected in the actual costs as later shown on the confirmation. This would lead to further confusion for the investor when the two figures fail to match up, and would create the false impression in the eyes of the investor that the information being provided is not accurate.

Exceptions to POS Disclosure Requirement

The rationale behind providing the POS disclosure requires that a number of exceptions be permitted. One category of exceptions would be subsequent purchases. Once an investor has made his purchase decision, each subsequent purchase of the same security should not require the broker-dealer to provide the POS disclosure. Subsequent purchases would include things such as systematic investment plans and automated services in wrap fee accounts, such as periodic account rebalancing.

Another category for exception would be online trading, where investors have the ability through systems provided by the broker-dealer to execute their own trades without broker intervention.

Additionally, clients at times purchase securities directly from the Product Company and identify their broker as the broker of record on the account. These transactions should not be included among the transactions for which the broker-dealer has a POS disclosure delivery requirement.

Confirmation Disclosure

We support much of the new confirmation disclosure as proposed by the Commission in the Proposing Release. We agree that more information about actual costs of an investment would be beneficial to the investor. However, some of the information on the proposed confirmation we believe should be presented either in a different manner or in a different document.

Itemized Ongoing Management Fees and Other Expenses

This information, as presented under the heading "You also pay each year", also appears in the proposed POS disclosure document. The confirmation is traditionally a record of the securities purchase and the direct costs associated therewith. The ongoing annual fee estimates are not firm numbers, but rather estimates based on historical costs, and would be more appropriately presented in the POS disclosure rather than in the confirmation environment. Prior to purchase, this information may be useful to a potential investor in comparing historical fees and expenses of several different investment options, but because these are not actual costs incurred as a result of the purchase, we believe displaying such information on the confirmation document does not

provide the investor with information that is useful at the time of confirmation and may be potentially misleading in that these numbers are current estimates that are subject to change.

Class B-Share CDSC Schedule

We believe that the Commission's proposal that the confirmation display a full CDSC schedule for a Class B-share purchase is not appropriate. The terms and applicability of the CDSC schedule are not as simple as the proposed confirmation disclosure would suggest. For example, a client's existing B-share positions would be taken into consideration by a fund company using a FIFO method of determining the holding period for shares being sold; or a client who takes mandatory distributions from an IRA may be exempt from the CDSD, regardless of his holding period. In these instances, the detailed CDSC schedule would be misleading to the investor. Rather than showing a full declining schedule, we advocate the display of an estimated maximum back-end load. This is an easily determinable and understandable figure that has the added benefit of being correct under all circumstances, i.e. in no case would the CDSC be greater than the amount shown. Again, the value to an investor of viewing potential future costs of his investment is at the point of sale. It is at the point of sale where the investor may be comparing investment options and where this information, presented in a standardized fashion and used as means of comparison, provides real value. Displayed on the confirmation, the detailed CDSC schedule not only fails to serve as a useful investor tool for comparison shopping, but it also would require much additional detail and explanation in order for it not to be misleading.

Conflicts of Interest

We generally support disclosure of conflicts of interest in the POS disclosure document. The Conflicts of Interest section as proposed by the Commission is intended to address the issue of revenue sharing disclosure, the content of which may differ from fund to fund at the same broker-dealer, and will certainly differ from broker-dealer to broker-dealer. Consistent with our view of the POS disclosure document as a static document designed for use as a comparison tool from fund to fund and firm to firm, we suggest that some general Conflict of Interest disclosure could be presented in the POS disclosure, and depending on the form that disclosure takes, could potentially contain a link to the broker-dealer's public website where more specific information could be maintained, but that dynamic disclosure of conflicts of interest on the POS disclosure document would not be appropriate in view of the necessarily static nature of that document.

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Thank you for the opportunity to offer our comments on proposed Rules 15c2-2 and 15c2-3. We look forward to working with the Commission to develop effective measures to provide investors with the important information they need in connection with purchases and sales of mutual funds, 529 Plans and variable insurance products.

Very truly yours,

Mark S. Shelton
General Counsel
UBS Financial Services Inc.