March 31, 2004

Jonathon G. Katz, Secretary
Securities and Exchange Commission
450 Fifth St., NW
Washington, D.C. 20549-0609

RE: Confirmation Requirements and Point of Sale Disclosure Requirements for Transactions in Certain Mutual Funds and Other Securities, and Other Confirmation Requirement Amendments, and Amendments to the Registration Form for Mutual Funds
File No.: S7-06-04
Release Nos.: 34-49148; IC-26341
Comments Due: April 12, 2004

Dear Mr. Katz:

Our broker/dealer is a "limited broker/dealer" primarily offering mutual funds and variable annuities for investment in 403(b) and 457 retirement plans for Public School Districts. We execute all transactions on a "Check and Application" basis. The majority of the transactions are funded on an ongoing basis through payroll deduction.

The current matter at hand is the proposed "point of sale" disclosure and post-sale confirmations. The spirit of these proposed rules is that the registered representatives must deliver to the client either a mutual fund, 529 Plan, or a variable annuity "point of sale disclosure document", which hypothetically provides an example of the commissions paid by the investor, the concession paid to the broker/dealer, and the breakout of the ongoing fees charged by the fund sponsors and/or annuity issuers. Including in this disclosure is what is referred to as "soft dollar" payments. Upon execution of the customer's transaction, a "confirmation" will then be sent giving the investor "specific" numbers on the same information regarding their investment.

Essentially, this proposal requires that our representatives deliver product specific information at the point of sale, without defining the resource for the "specific" information. As you are aware, the majority of the required information is currently provided in the product prospectus. The exception is any "asset based" fees, revenue sharing, or “soft dollar” arrangements paid to the broker/dealer for marketing and training purposes.

Paradigm Equities does not take exception with providing enhanced disclosure to the investor since we share the belief that such disclosure can only add to investor confidence in the fairness of our investment marketplace as a whole. What does concern us about this proposal and indeed most of the current client disclosure materials is the complexity and lack of clarity in the presentation to the client, and specifically as this proposal is written the fact that it places the burden on the broker/dealer but does not mandate equal compliance on the sponsors/issuers to provide a resource for the required point of sale information or provide the post sale disclosure in a uniform manner. In other words, to comply with the disclosure requirements, broker-dealers would need additional information from prudent issuers who are under no obligation to provide.

It is our fear that confusion will abound since the client is unable to compare the “hypothetical” disclosure given him at the point of sale, against the confirmation statement containing “specific” information upon execution. Indeed, the possible material difference between the two disclosures will be extremely confusing to the investor and create further mistrust of the industry and apathic avoidance on the part of the investing public to even read the materials (i.e., How many clients read the prospectus?). Furthermore, it would be virtually impossible for firms to comply with the section of Proposed Rule 15c2-2, which requires disclosure of certain “anticipated” compensation due to the almost infinite combinations of investment company compensation structures which are not static but dynamically fluctuate.

Simply stated, there is no uniformity among the investment sponsors who are the source of the information you require us to create!

Attempts to comply with the proposed disclosure requirements for conflicts of interest also requires disclosure of sales contests, but in many cases these contest are short-lived and would require virtually real-time updating to the client. Also, since there is no similar requirement for disclosure of those programs not covered by the regulatory statures, a level playing field is necessary on this issue.

Furthermore, and compounding this entire procedural conundrum, disclosure must be made on a transaction-by-transaction basis, regardless of whether it is appropriate. Given the cost associated with implementing the Proposed Rules, there is little benefit in requiring disclosure of the same information three separate times, (i.e., in the face-to-face meeting, in the prospectus, and on the confirmation). Moreover, customers cannot avoid the deluge of paper and information even if they would choose to do so. Again, client apathy is certainly a potential result.

It is all too frequent we are unaware of the amount that is going to be invested particularly in the case of client funds being directly rolled over from the prior employer to the new product sponsor, or when funds are transferred from one plan sponsor to another directly by the investor. What happens when an investor sends money directly to the sponsor/issuer? Or, what happens when the client has an automatic to purchase plan through a payroll deduction or automatic withdrawal from their bank account, to purchase $50 to $500 (or more) on a monthly basis? Will the broker/dealer be required to provide a "point of sale" disclosure each time? Needless to say, under these examples, it will not be at the point of sale because the broker/dealer would not be aware of the transaction until after the event.

Under the proposal, the disclosure requirements are repetitive and create many additional disclosure requirements for broker-dealers to make not once but twice (and sometimes even three separate times in the case of certain oral point of sale disclosures). One-time disclosure should be sufficient if the disclosure is made in writing and deals with fact.

The Proposed Rules not only require affirmative disclosures, but also negative disclosures when the firm and/or representative have nothing to disclose. If the disclosure is not applicable to the member firm, the investor will be further confused by absence of the information. This bring us to another point of discussion, the Commission has also proposed forms for disclosure of the required information, despite its statement that firms should avoid the use of boilerplate language in its disclosures. We believe this presents too much latitude. Without universal application, each firm will develop their own format which makes any side by side comparison impossible and allows the unsavory to "deceive by detail". Therefore, since the spirit of this proposed requirement is to shine the light of disclosure in a clear and un-ambiguous manner, we request guidance from the Commission is necessary to provide a uniform format for information, otherwise there will be further confusion to the investor.

The Proposed Rule 15c2-3 for a customer's right to terminate an order placed prior to disclosure does not indicate how long that termination right continues. Variable Annuities are required to have a "free look" period. This requirement must be addressed in order to provide specific guidance to the industry. If a client terminates an order after disclosure is made, who assumes market risk?

We fear that the proposed rules as written financially impact the industry, including product sponsors/issuers to the extent that may potentially increase commission and/or internal fees in order to compensate for the impact. Compliance with the Proposed Rules would require extensive changes to existing software systems, and a cacophony of procedural and structural changes. The SEC estimates that the one-time and annual cost to implement both of the Proposed Rules would total about $781,000, on average, per broker-dealer with an annual cost thereafter of about $540,000, on average, per broker-dealer. Did you consider the small broker/dealer? I fear not. Though actual costs would vary widely among small broker-dealers depending upon the capabilities of their internal or external data processing systems and arrangements, the financial impact to comply with the proposed rule could put small broker/dealers out of business and effectively limit competition and investment resources in smaller, less populated communities. Is this the intent? Again, I think not.

In the last two years, the industry has been required to absorb cost related to AML customer identification, and new 17a-3(a)(17) books and records customer notification requirements. The programming, technology, equipment, information resource and financial impact to the broker/dealer required to comply with this proposed rule has not yet been determined. Therefore, we are requesting that you consider extending the comment period at least 120-days to allow for further analysis; and that you more clearly specify how the sponsors/issuers will be required to provide the information necessary for the point of sale disclosure and post sale confirmation in a consistent, uniform manner.

We are here to provide a fair and ethical service to our investors, please do not punish the entire industry for the wrongdoing of the few. Investigation and punishment of the guilty would do more to build investor confidence of the Supervisory and Regulatory oversight process than the "extreme" disclosure this proposed rule is calling for with questionable consequences. Thank you for your consideration to this response and request.

Sincerely,

Rita C. DeFloreo
Principal Compliance Manager/CCO
Paradigm Equities, Inc.
Member of NASD & SIPC