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Jonathan G. Katz
Secretary
United States Securities and Exchange Commission
450 Fifth Street, NW
Washington DC 20549-0609

RE: Proposed Rule Changes- Point of Sale and Confirmation Disclosures
File No. S7-06-04

Dear Mr. Katz:

We appreciate the opportunity to respond on the Proposed Rule S7-06-04, that would require broker-dealers to provide their customers with information at the "point of sale" and in transaction confirmations regarding the costs and conflicts of interest that arise from the distribution of mutual fund shares, unit investment trust ("UIT") interests, variable contracts and 529 Plan securities ("Covered Securities") included under the Proposal.

United Planners' Financial Services of America ("UPFSA") is a broker-dealer member firm of the National Association of Securities Dealers, Inc ("NASD"), is licensed in fifty states and has over 200 branch offices and 350 producing representatives. UPFSA's branch office managers and registered representatives are independent contractor business owners who provide financial and investment planning advice to their clients. UPFSA is an introducing broker-dealer and clears through Pershing, LLC., a wholly owned subsidiary of the Bank of New York. UPFSA has dealer agreements with almost every significant load and no-load mutual fund sponsor and with most significant variable annuity and life sponsors that are willing to distribute products through firms such as UPFSA. UPFSA is a subsidiary of Pacific Life Insurance Company. Pacific Life Insurance Company through its affiliates is a sponsor of both mutual funds and variable contracts. UPFSA does not provide for any differential payouts on proprietary or any other products. Rather, UPFSA permits its representatives and their clients to access any Covered Securities on an equal basis, subject to UPFSA's supervisory oversight and appropriate suitability considerations.

UPFSA strongly supports efforts to help investors get all the information they need in order to make informed decisions about investing in mutual funds. Investors need to have a complete picture of the costs of investing in a particular fund, and they need to be fully aware of all potential conflicts of interest on the part of the adviser recommending a fund. However, we are very concerned that the Proposed Rules will not achieve their intended purpose and instead will make investing in mutual funds more confusing for the average investor. We are also concerned that the costs imposed on the broker-dealer community by the Proposed Rules would make it more expensive for the average investor and eliminate many investment choices. We appreciate the opportunity to explain our conclusions.

The Industry Cannot Afford to Implement the Proposal

Compliance with the Proposed Rules would require extensive changes to existing software systems, among other expenses. The SEC estimates that the one-time cost to implement 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. Actual costs would vary widely among independent contractor broker-dealers depending upon the capabilities of their internal or external data processing systems and arrangements. Most, if not all of these costs would ultimately be passed on to customers. We estimate the cost for UPFSA to comply with the proposals would exceed $2 million and that it would take two years or more to bring the necessary systems on line.

Even if the SEC's estimated costs to implement and maintain the proposed disclosures were correct, it would have a detrimental impact on profits that retail broker-dealers make on the sale of Covered Securities. Many financial planning oriented broker-dealers, including UPFSA; specialize in the sale of Covered Securities and sign selling agreements with most significant sponsors of mutual funds and variable contracts. These firms will be severely penalized under the proposal as they will have to build customized technology systems to create data feeds to and from hundreds of sponsors in order to automate the customized disclosures contemplated by the Proposal. Alternatively, these firms will have to more than double their staff to create the disclosures manually. We believe implementation of the Proposal as written will cause substantial financial damage to all retail broker-dealers and will likely result in the financial demise of many smaller firms that are primarily involved in the sale of Covered Securities.

If the disclosures proposed were enacted, the technology necessary for a broker-dealer to comply with the detailed, custom disclosures would take a long time to design and develop. Most firms that specialize in Covered Securities already have substantial technology projects underway to meet requirements under other regulatory initiatives, including improved ability to identify and track breakpoint opportunities and monitor the sale and suitability of B-Shares and variable contracts.

Conflict Disclosures Unnecessarily Detailed for Retail Customers

Disclosure of conflicts of interest are important to an investor's decision-making, but identifying conflict does not require the degree of detail prescribed by the Proposed Rules. The mandated level of detail is disproportionately expensive to obtain for firms, especially those with a parent controlling funds or variable products and multiple broker-dealers and investment advisers when judged by how the average retail investor could or would use the information. Specific dollar amounts over a short time frame have no context to reasonably enable the client's decision process relative to the potential for conflict. Also, it would be virtually impossible for firms to comply with the section of Proposed Rule 15c2-2 that requires disclosure of certain "anticipated" compensation. The disclosure requirements for conflicts of interest also cover sales contests, which may be short-lived and require nearly real-time updating in the disclosures.

The greatest burden of implementing the customized point of sale and confirmation disclosures under the Proposal would fall on the firms that have the least conflicts of interest and offer the greatest flexibility to public customers. By way of illustration, consider the impact of the proposed disclosure requirements on UPFSA. We are a retail, planning-oriented broker-dealer that signs agreements with all significant load and no-load mutual fund sponsors. Our affiliated financial advisors and public customers have ultimate flexibility in selecting mutual funds for investment portfolios. It would be a tremendous challenge to build systems to gather and manipulate data from the broad universe of mutual fund and variable product sponsors to create the customized disclosures outlined in the Proposal. Contrast our challenge with that of a broker-dealer that limits its sales of Covered Securities to only proprietary products or to a small number of sponsors who pay the firm for access to their representatives. The big question is whether UPFSA and other similar firms will be forced to narrow their product lines to the detriment of their affiliated financial advisors and public customers in order to implement the Proposal

Distribution Costs Should Be Disclosed by Funds

The proposals make an unprecedented transfer of obligations from sponsors to broker-dealers. Sponsors of Covered Securities have always been responsible to disclose distribution costs. This is logical since the sponsor controls the fees and other resources that cover these costs and determines how such resources and costs are shared with broker-dealers or others involved in the distribution and/or ongoing services connected with the Covered Securities. The Proposal unfairly transfers to the broker-dealer data gathering, administrative and disclosure burdens. If the Proposal is implemented, broker-dealers will incur enormous costs associated with creating and maintaining systems for transferring, manipulating and disclosing information controlled by and proprietary to the sponsors of Covered Securities. Further, the Proposal does not appear to mandate that sponsors make available to broker-dealers the information essential to creating the disclosures required under the Proposal.

A predicate underlying the SEC's reasoning is that more detailed disclosure will force the industry to lower costs, and that lower costs will result in better investment performance. Of course, it is the mutual fund industry that controls those costs and there are many more variables affecting investment performance. The SEC is likely underestimating the dramatically increased cost of obtaining and delivering these disclosures, which will be absorbed by investors.

Disclosures Will Confuse The Public

While we realize that the objective of the SEC in promulgating the disclosures is to assist the public; the disclosures mandated are far more detailed and sophisticated than the average retail customer could reasonably be expected to understand or apply to their investment decisions. Current rules require the disclosure of sales loads, 12(b)1 fees, management fees, etc. in a format and in language that is relatively easy to understand. Forecasts of future hypothetical expenses may be confusing and could be potentially

misleading. The quantity of information to be disclosed rises to the level of analyst information, rather than investor information. We believe the complex and duplicate disclosures the Proposal would require at point of sale and in confirmations are likely to create more confusion than clarity for investors. For example, in advance of making any purchase in addition to the delivery of a prospectus for the customer's review, the following disclosures would also have to be provided to (and be considered by) a customer:

1) Verbal or written disclosure of the dollar amount of any front-end load
2) Verbal or written disclosure of the dollar amount of any back-end load (assuming a holding period of one year at the same value)
3) Verbal or written disclosure of the dollar amount of any sales fee received by the broker-dealer
4) Verbal or written disclosure of the dollar amount of asset-based service fees the broker-dealer will receive in the first year
5) Verbal or written disclosure of whether the sponsors of the Covered Securities pay brokerage commissions to the broker-dealer
6) Verbal or written disclosure of whether the sponsors of the Covered Securities share revenues with the broker-dealer
7) If the Covered Securities are proprietary and/or include a back-end load, the customer would also have to receive verbal or written disclosure of any differential compensation programs to promote the sale of such Covered Securities.

The SEC's analysis failed to address how the prescribed quantitative and qualitative data can be fairly and reasonably presented orally to a retail customer. The SEC envisions a one- or two-page point of sale disclosure, including explanatory material. How are retail customers likely to react to a 10+ minute recitation of numerical and statistical data, together with related explanations, over the telephone for each transaction?

Additional disclosures would have to be added to the confirmation of the sale. These would duplicate the disclosures already made at the point of sale, but would also contain details such as comparisons of costs to industry averages, projections of any back-end loads assuming a liquidation of the account in each year that those back-end loads would be in effect, the proportionate dollar amount of any revenue sharing and portfolio brokerage the broker-dealer received that relates to that specific transaction. Further, the confirmation would be required to disclose customized, comparative breakpoint information, when applicable.

We believe that this plethora of disclosures will create so much focus on financial arrangements that investors will fail to pay attention to other important considerations such as investment objectives of the product, the risks of making an investment, the operating expense ratio of the product, the historical performance, etc.

For many years regulators have focused on the prospectus as the primary disclosure device for information that is vital to the client's decision-making process. Creating substantive disclosures outside the prospectus may cause a discounting of the prospectus as a disclosure tool.

Proposals Create an Unfair Risk Profile for Covered Securities

If the Proposal is implemented, a combination of the detailed disclosure obligations on representatives and the enormous cost to broker-dealers will result in a significant shift in product lines from Covered Securities to alternative investments. Since Covered Securities have often served a primary role in investment planning for middle income Americans, this would be an unfortunate result. The success of load mutual funds and other packaged products is ample evidence that broker-dealers and their affiliated financial advisors motivate the public to save and invest for their future needs. It would be unfortunate to discourage the sale and purchase of Covered Securities by increasing both the complexity of transactions and costs associated with those transactions to an unacceptable level.

We do not believe the risk profile of Covered Securities justifies singling them out for higher level and more detailed disclosure requirements than other investment classes. For example, current regulations require mutual funds to provide customers with more complete disclosure of risks, costs, expenses, objectives, etc. than any other investment class. In addition, despite recent problems fully aired in the media, we still believe that mutual funds are generally well governed, provide strong diversification standards and are carefully regulated. Many other investments including individual equities, managed accounts, municipal and corporate bonds, government securities, options, stock futures, closed end funds, etc. should have a higher risk profile than mutual funds; yet transactions in these securities do not require the kind of detailed point of sale disclosures promoted under the Proposal.

Requiring that mutual funds be subject to higher disclosure requirements and creating substantial customizing of disclosures at the point of sale sends a very negative message to the investing public and creates significant barriers and unfair burdens in connection with the sale of mutual fund shares (and other Covered Securities). Implementation of the Proposal will mean that many customers, who would be better served by investing in Covered Securities, may be directed to other more risky investment alternatives.

Competition Should Be Protected

The Proposal would require the disclosure of private revenue sharing arrangements between sponsors of Covered Securities and broker-dealers. We agree that it is important for investors to have fees and expenses disclosed, including details about selling compensation; but we believe that a sufficient disclosure can be made via a combination of standardized disclosures currently provided by the sponsors and generic disclosures of the existence of revenue sharing and/or directed brokerage by the broker-dealer. We think

it is anti-competitive and unwise to require the disclosure of all the financial relationships between a sponsor and a broker-dealer; yet that is what would result if certain of the detailed, customized disclosures called for in the Proposal were implemented. For example, a sponsor may negotiate with broker-dealer A to carry out more distribution tasks than broker-dealer B. It is logical that the sponsor would pay more to broker-dealer A for its extra work. Requiring disclosure of this detail would unfairly penalize broker-dealer A. As a further example, a broker-dealer that executes a significant number of trades for a mutual fund complex based solely on its execution capabilities, but only sells a small number of fund shares could be unfairly characterized by customized disclosures. Such disclosures would also expose the economic relationships between sponsors and broker-dealers to a degree that could cost them a significant competitive advantage.

We believe it is appropriate that customers be made aware when revenue sharing arrangements or directed brokerage arrangements exist between a sponsor of Covered Securities and the customer's broker-dealer. Such disclosure should be made in the most cost effective way and should not include details that would confuse the customer or unfairly inform competitors of the sponsor or broker-dealer. We suggest that a list of sponsors with which such arrangements exist be provided on a web site that is updated quarterly. Further, we suggest that customers be informed both verbally (at the point of sale) and in writing (with the confirmation) of the existence of that web site.

Point of Sale Disclosures Won't Work for Financial Advisors

We do not believe the proposed point of sale disclosures is workable in the real world. The Proposal apparently assumes that all business is conducted by a broker using one particular product. That is not how real life is for the 150,000 plus financial advisors affiliated with planning oriented, independent contractor firms like UPFSA. For example, in a typical meeting with a prospective customer, UPFSA's investment advisor would normally gather personal data and discuss various investment strategies taking into consideration multiple accounts – individual, joint, business, retirement, children's, etc. The advisor would not even know what products would be recommended in advance of the session with the customer. In addition, substantial changes would be made during the session as the customer interacts with the advisor. In other words, what the Proposal describes as "point of sale" often is a dynamic meeting where creative interface results in investment decisions that cannot be predicted in advance. These meetings are often at the customer's home or place of business, not at a computer equipped sales office where customized disclosure forms could be generated at will. One session with the customer could result in the need to create multiple and very customized disclosure forms that would likely have to change several times during the discussions. The inefficiencies resulting from the proposed point of sale disclosures would certainly motivate broker-dealers and their financial advisors to consider alternative investments to Covered Securities.

Eliminate Proposed Customized Disclosure of Revenue Sharing and/or Directed Brokerage.

The proposed requirement that Broker-dealers disclose revenue sharing or directed brokerage as though it has a direct relationship to an individual's purchase of Covered Securities should be dropped. In fact there is no direct connection to individual transactions and to indicate otherwise is misleading. In most cases, a broker-dealer does not even know what benefits will be paid by sponsors. Only large broker-dealers have contracted arrangements and even when contractual relationships exist, compensation varies based on company-wide sales volume and/or values of assets under management. A general disclosure that a sponsor does or does not provides some revenue sharing and/or directed brokerage is meaningful and sufficient disclosure in our view.

Clearing Firms Should Not Be Required to Monitor Compliance of Correspondents

UPFSA's relationship with Pershing is controlled by the clearing agreement we negotiated with them. That agreement does not contemplate any supervisory role on the part of Pershing. The Proposal has language that would dramatically change the relationship between clearing firms and their correspondents. No change of that magnitude should be considered without a full airing of the significant financial and liability issues that would result. The language in the Proposal that requires a clearing firm to have a reasonable basis for believing that an introducing firm is complying with all its legal requirements under the rules should be deleted.

Conclusion

In conclusion, while the Proposals have been presented with good intentions, we believe that present disclosure requirements relating to Covered Securities are generally adequate to assist customers in making wise investment decisions. Further, if more detailed disclosures are necessary, they should be accomplished by improving current disclosure materials created by product sponsors and should not require extensive and expensive new systems development on the part of broker-dealers.

Respectfully submitted,

Julie Gebert

Julie Gebert
Chief Compliance Officer