April 13, 2004

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

RE: Release Nos.33-8358; IC-26341-1; File No. S7-06-04

Dear Mr. Katz:

I have been a registered representative working as an independent contractor in the financial services field for over 25 years.

I would like to express some concerns regarding the proposed new rules for *point of sale* and *confirmation disclosures* of mutual fund transactions for the following reasons:

1. **Disclosure of "Important" Not Defined** - The objective of the Proposed Rules appears to be focused on a retail customer who does not understand the complexities of the securities industry, yet demands disclosure of far more detailed information than such a customer could reasonably comprehend or use in his/her investment decision making. The Proposed Rules create an open-ended obligation to disclose anything important, but the Commission has not adequately defined what is "important." The Commission uses "transparency" as a buzzword in its proposing release. Professional investment managers, who understand these complexities, presently have access to sufficient information upon which to make their investment decisions.
2. **Distribution Costs Should Be Disclosed By Funds** - Disclosure of distribution costs is fundamentally the obligation of the mutual fund complex since it controls all of these costs and the fund's historical performance and cost data simply and accurately report the effects of those costs. The data gathering, administrative and disclosure burdens (and related liability for data errors) is being unfairly transferred to the brokerage industry. 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 variable affecting investment performance. The SEC is likely underestimating the dramatically increased cost of obtaining these disclosures, which will be largely borne by investors.
3. **Fund Companies Not Required to Provide Information to Broker-Dealers** - In order to comply with the disclosure requirements, broker-dealers would need additional information from mutual fund companies, which they are not mandated to provide by the Proposed Rules.
4. **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 contest, which may be short-lived and require nearly real-time updating in the disclosures.

5. **Disclosure Requirements are Repetitive** - The disclosure requirements are repetitive. They create many new 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. Furthermore, 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.
6. **Prospectus Discounted as Disclosure Tool** - The Proposed Rules discount the prospectus as a disclosure tool. Most of the required information is more appropriately placed in a prospectus. Mutual fund companies are in the best position to accurately describe the costs which they directly or indirectly control.
7. **Negative Disclosures Required Even When Nothing to Disclose** - The Proposed Rules not only require affirmative disclosures, but also require negative disclosures when the firm and/or the representative have nothing to disclose.

There are many more reasons I could list, but I'm sure you get the point. I respectfully request that the Commission:

Extend the comment period to 180 days to give ample time for analysis and comment by all interested parties;
Realize the complexities and burdensome tasks they are proposing to place on member broker-dealers who represent the independent contractor registered representatives who generate over $7 billion in annual gross revenues would require inestimable costs in dollars and other resources;
Realize that the proposed required disclosures would only serve to heighten the confusion of an already totally confused investing public that is in dire need of competent investment advice; and,
Not approve the Proposed Rules.

Respectfully submitted,

Wayne A. Harkleroad, CLU, ChFC
President
Financial Integrity Group, Inc., Chicago, IL
wah@financialintegrity.com