

**RE: ENHANCED DISCLOSURE AND NEW PROSPECTUS DELIVERY OPTION  
FOR REGISTERED OPEN-END MANAGEMENT INVESTMENT COMPANIES**

SEC,

**I am a Financial Advisor and would like to thank you for your consideration of this proposed change. I am in favor of the proposal and feel that it would well serve the public. Please consider that many advisors may not even offer a particular mutual fund investment currently just because they are currently out of prospectus supplies or may have supplies that are out of date. I believe that this will reduce the burden on advisors to constantly have to check dates and keep inventories up-to-date on prospectuses. This should also reduce costs to fund companies because of the substantial costs associated with printing, shipping and staffing for the same.**

**Also, after review of the FSI additional recommendations (see attached FSI pdf), I would favor those being implemented into the regulation. We would not want the SEC to “favor” any distribution channel (I am independent) by focusing just on fees and/or placing fees at the top of the document! Indeed, the fees are already buried in the current prospectuses, which we have to open and show clients and that varies by prospectus. Please consider the FSI suggestions since they represent many advisors.**

**Thanks again for considering this change. I believe it is long overdue and also that it will aid investors in more clearly understanding all the important information about an investment before they decide.**

Sincerely,

**Andrew C. Bambeck III/Branch Manager  
Raymond James Financial Services, Inc.  
Eaton, OHIO**

**FSI Recommendations:**

VIA ELECTRONIC MAIL

February 28, 2008

Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

RE: File Number S7-28-07 - Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies

Dear Ms. Morris:

On November 1, 2007, the Securities and Exchange Commission (SEC) proposed a revised mutual fund disclosure framework that is designed to provide investors with a concise and easy to read summary of information relevant to their investment decision (Proposal).<sup>1</sup> Under the Proposal, a summary of key information would appear in plain English at the front of the statutory prospectus. The Proposal would also allow mutual fund sponsors to provide investors this key information via a summary prospectus (Summary Prospectus), while making the more detailed information contained in the full prospectus available on the Internet or by e-mail or hard copy as requested by the investor.

The Financial Services Institute<sup>2</sup> (FSI) commends the SEC for this groundbreaking Proposal. FSI has long believed that the complexity and quantity of investment disclosure has become intimidating to most investors. As a result, we have advocated for more effective disclosure through the use of concise user-friendly documents. We believe the SEC's Proposal largely achieves the goal of enhancing mutual fund disclosure by simplifying it. The SEC deserves considerable praise for these efforts. However, FSI offers a number of recommendations we believe will further improve the quality of disclosure to investors provided by the Summary Prospectus. These specific comments are offered below.

#### Background on FSI Members

The independent broker-dealer (IBD) community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased investment advice with little, if any, proprietary product bias.<sup>3</sup> IBD members also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products;

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<sup>1</sup> See the proposing release at <http://sec.gov/rules/proposed/2007/33-8861.pdf>.

<sup>2</sup> The Financial Services Institute was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has 114 Broker-Dealer member firms that have more than 135,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 12,600 Financial Advisor members.

<sup>3</sup> Some large independent broker-dealer firms offer proprietary products such as mutual fund, variable annuity, and/or investment adviser products produced by an affiliated or parent insurance company, broker-dealer, or investment adviser. Nevertheless, these IBD firms, and their proprietary products, represent the exception to the rule.

take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisors are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals.

In the U.S., approximately 110,000 independent financial advisors – or almost 20 percent of all registered representatives – practice in the IBD channel.<sup>4</sup> These financial advisors are independent contractors, rather than employees of the IBD firms. Independent financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisors are typically “Main Street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market for advisors affiliated with IBDs is clients with a net worth of \$250,000. Independent financial advisors are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Independent financial advisors get to know their clients personally and provide them investment advice in face-to-face meetings. Most of their new clients come through referrals from existing clients or other centers of influence.<sup>5</sup> Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisors have a strong incentive to make the achievement of their clients' investment objectives their primary goal.

The Proposal is of particular interest to FSI members. The Proposal would require every prospectus to include a summary section at the front of the document that consists of certain key information about the specific mutual fund. This information would be required to appear in a standardized order and in plain English. The proposal would also change the prospectus delivery requirement for mutual funds by allowing financial advisors to fulfill their obligations by providing investors with a Summary Prospectus. The Proposal will greatly improve mutual fund disclosure by providing investors with a concise summary of important facts about a mutual fund in a quick and convenient way. We believe the Proposal represents a significant improvement over the current mutual fund disclosure system. However, we offer the following recommendations intended to better serve the goal of providing investors with the information needed to make informed investment decisions.

### Comments

FSI believes the quality of disclosure provided by the Summary Prospectus would be improved substantially by making the following changes to the Proposal:

1. Promote Readability by Reordering the Presentation of Information – The Proposal specifies both the content of the Summary Prospectus and the order of presentation of the required information. FSI supports the standardized order of presentation of data in the Summary Prospectus because we believe it will facilitate investor understanding and efforts to compare mutual funds. However, we are troubled about the specific order of presentation outlined in the Proposal because we believe it detracts from the logical flow of the Summary Prospectus in an attempt to emphasize the importance of fees and expenses associated with the fund.<sup>6</sup> FSI is concerned that placing the fee table second in

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<sup>4</sup> Cerulli Associates, Quantitative Update: Intermediary Markets 2006. Please note that this figure represents a conservative estimate of independent financial advisors. In fact, more than 130,000 financial advisors are affiliated with FSI member firms.

<sup>5</sup> These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisors.

<sup>6</sup> See page 21 of the Proposal.

the order of presentation places an undue emphasis on this aspect of the investment decision-making process. After all, the initial criteria mutual fund investors consider in making investment decisions are the fund's investment objectives and goals, principal investment strategies, and principal risks. These are the attributes that define the mutual fund and are, therefore, used by investors to determine if the fund is worthy of further consideration. Once the investor is familiar with these key attributes, he or she can compare the investment to other similar options based on other considerations, including fees and expenses. We fear that an overemphasis of the fees and expenses of the fund will have the unintended consequence of suggesting to investors that the primary determinant of mutual fund product suitability and value should be low internal fees. Investors may conclude that the SEC is communicating to them that the lowest cost product is always the best investment, regardless of the product's other features. We believe this would be an inappropriate unintended message for the SEC to send to investors.

As a result, FSI believes that investor understanding will be promoted through the presentation of the key information in a more intuitive manner. Specifically, we believe the following order of presentation should be adopted in the Summary Prospectus:

- Investment Objective and Goals
  - Principal Investment Strategies
  - Principal Risks
  - Investment Adviser
  - Portfolio Manager
  - Annual Total Return
  - Top Ten Portfolio Holdings
  - Portfolio Turnover
  - Fees and Expenses of the Fund
  - Payment to Broker-Dealers and Other Financial Intermediaries
  - Purchase and Sale of Fund Shares
  - Dividends, Capital Gains, and Taxes
2. Incorporate the SEC's Point of Sale Disclosure Proposal Into the Summary Prospectus - On January 29, 2004, the SEC issued Release No. 33-8358.<sup>7</sup> The release proposed the adoption of SEC Rules 15c2-2 and 15c2-3 under the Securities Exchange Act of 1934. The Rules would require broker-dealers to provide customers with targeted 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 and other packaged products (Point of Sale Disclosure Proposal). Based upon industry comment and feedback gained through investor focus groups, the SEC substantially revised its model forms and disclosure parameters. The SEC reopened the comment period for the Point of Sale Disclosure Proposal on March 1, 2005.<sup>8</sup> Once again, extensive industry comment was provided. Since that time, the Point of Sale Disclosure Proposal has remained dormant.

FSI believes that the summary prospectus provides an excellent vehicle for the disclosure of the costs and conflicts associated with the distribution of mutual fund shares. Including the information contemplated by the Point of Sale Disclosure Proposal in the Summary

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<sup>7</sup> See the proposing release at <http://www.sec.gov/rules/proposed/33-8358.htm>.

<sup>8</sup> The supplemental release at <http://www.sec.gov/rules/proposed/33-8544.htm>.

Prospectus would have several benefits for investors, including: (1) the creation of a single consolidated disclosure device for mutual fund sales; (2) the point of sale disclosure would be prepared by the mutual fund issuer, who is best positioned to provide current, accurate information about the fees associated with the funds; (3) the point of sale disclosures would be reviewed by the SEC staff; and (4) the disclosures would carry prospectus liability. Since we believe strongly that the prospectus should remain the primary source of investment information, we urge the SEC to consider the inclusion of the point of sale disclosures in the Summary Prospectus.

3. Encourage Adoption of Summary Prospectus by Reducing Updating Frequency - The Proposal's requirement that the Summary Prospectus be updated quarterly to reflect changes in the fund's top ten portfolio holdings and average annual total returns is likely to impede the widespread adoption of the Summary Prospectus. Operational difficulties associated with printing the Summary Prospectus quarterly will lead many mutual fund companies to offer the document through a print-on-demand function on their web sites. The unintended consequence will be to pass the cost and burden of printing the Summary Prospectus on to the financial advisor. As a result, we expect many financial advisors to avoid the expense and administrative burden of printing Summary Prospectuses for their clients by instead maintaining a significant inventory of commonly recommended mutual fund prospectuses on hand for distribution to investors. The result will be resistance by financial advisors to the use of the Summary Prospectus thereby defeating the SEC's purpose of improving investor disclosure. As a result, we recommend that the SEC consider amending the Proposal to require annual updating of the Summary Prospectus and the inclusion of a prominent disclosure alerting investors that current average annual total return and portfolio holdings information can be found at a stated web site address or obtained by calling a listed toll free number maintained by the mutual fund company. We believe these changes will effectively remove these significant impediments to financial advisor adoption of the Summary Prospectus.

#### Conclusion

We are committed to constructive engagement in the regulatory process and, therefore, welcome the opportunity to work with you further improve investor understanding through more concise and effective disclosure.

Thank you for your consideration of our comments. Should you have any questions, please contact me at 770 980-8487.

Respectfully submitted,



Dale E. Brown, CAE  
President & CEO