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May 27, 2022

Submitted via email to: rule-comments@sec.gov
Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: Amendments to Further Defining "As a Part of a Regular Business" in the Definition of Dealer and Government Securities Dealer; Release No. 34-94524; File No. S7-12-22

Dear Ms. Countryman:

This letter is submitted on behalf of the Federal Regulation of Securities Committee (the "**Committee**") of the Business Law Section (the "**Section**") of the American Bar Association (the "**ABA**") in response to the request for comments by the Securities and Exchange Commission (the "**SEC**" or the "**Commission**") with respect to its proposal to expand decades-long interpretive and related guidance by further defining the terms "as a part of a regular business" – which is used in the "trader" exception to the statutory definitions of "dealer" and "government securities dealer"[1] under Sections 3(a)(5) and 3(a)(44) under the Securities Exchange Act of 1934 (the "**Exchange Act**") ("**Rule 3a5-4**" and "**Rule 3a44-2**" respectively and together, the "**Proposed Rules**") – to require dealer registration status for a broader group of market participants.[2]

This letter was prepared by members of the Committee's Trading and Markets Subcommittee. The comments expressed in this letter represent the views of the Committee only and have not been approved by the ABA's House of Delegates or Board of Governors and should not be construed as representing the official policy of the ABA. In addition, this letter does not represent the official position of the Section, nor does it necessarily reflect the views of all members of the Committee.

The Committee supports the Commission's effort to enhance investor protection and market stability by promoting transparency and orderly and efficient securities markets. We are, however, concerned that the Proposed Rules, their accompanying short comment period, and concurrent ongoing and related

[1] As used in this comment letter, "dealer" will refer to both securities dealers and government securities dealers unless explicitly noted or the context indicates otherwise.
[2] *See* SEC Release No. 34-94524 (Mar. 28, 2022), 87 Fed. Reg. 23054 (Apr. 18, 2022) (the "**Dealer Release**"). "As a part of a regular business" has become the key test in the definitions of "dealers" or "government securities dealers" under Sections 3(a)(5) and 3(a)(44) of the Exchange Act.

Commission rulemakings, fail to adequately engage the industry and affected market participants in developing new rules that are tailored to address both the Commission's stated concerns in the Proposed Rules but which are also sufficiently balanced and considered to avoid any overreaching and unintended harm to the healthy functioning of the affected markets, market participants and investors.

In furtherance of these shared goals, the Committee would like to bring to the Commission's attention certain aspects of the Proposed Rules, which we believe – among others that could be elaborated in greater depth with more time – require additional time and attention by the Commission and the industry before these proposals are finalized.

I. Relevant Background on the Proposed Rules

The Proposed Rules would require "dealer" or "government securities dealer" registration for market participants who, "as part of a regular business", have been identified by the Commission as playing an "increasingly significant role as major liquidity providers across asset classes in the U.S. securities markets, including the U.S. Treasury market, respectively."[3] This would be accomplished in part by redefining and expanding what constitutes and distinguishes regulated "dealer" activities from unregulated "trader" activities within the statutory term "as a part of a regular business." As proposed, the Proposed Rules would capture a broad group of market participants currently relying on the long-standing dealer vs. trader guidance (discussed below) to register as dealers, absent an exemption or exception, including certain proprietary/principal trading firms ("**PTFs**"), private funds and investment advisers.

The Proposed Rules also expand on the current interpretation and guidance of what it means under the statute to be trading for a person's "own account" by recognizing the variation in corporate structure and ownership of entities engaged in dealer-like activities. The Proposed Rules focus on the trading activity that is being employed on behalf of, or for the benefit, of the entity through aggregation of accounts within an entity's "control."

A. Current and Proposed Rules and Guidance on Dealer Registration Status Activities

(i) The Dealer-Trader Distinction

The term "dealer" is defined in section 3(a)(5)(A) of the Exchange Act as "any person engaged in the business of buying and selling securities . . . for such person's own account through a broker or otherwise." Section 3(a)(5)(B)

[3] Dealer Release at 23060.

excludes from the definition of dealer any "trader" meaning "a person that buys or sells securities . . . for such person's own account, either individually or in a fiduciary capacity, but not as a part of a regular business" (the "**Dealer-Trader Distinction**").

The current dealer registration requirements, and particularly the interpretive guidance around the Dealer-Trader distinction, have been utilized and reinforced over 50 years by the Commission, Commission staff, the courts and the industry through the development of an array of factors evidencing a person being "engaged in the business" of a dealer. These factors are focused on the frequency and nature of the trading activity of a "dealer" and, among other things, include (i) acting as a market maker on an exchange or trading system; (ii) acting as a "de facto" market maker or liquidity provider; and (iii) "holding out" as buying and selling securities at a regular place of business. This has resulted in a body of law and guidance which is significant to market participants in the interdealer and other markets.[4]

(ii) The Proposed Rules

The Proposed Rules expand upon the factors and historical statements in the Dealer-Trader Distinction to "further define three qualitative standards designed to more specifically identify activities of certain market participants who assume dealer-like roles."[5] New qualitative standards are proposed to determine when a currently unregistered market participant is engaged in dealer activity "as part of a regular business."[6] A quantitative standard is also proposed to determine when a market participant is engaged in government securities dealer activity (government securities only) "as part of a regular business."[7]

The proposed three qualitative standards which would identify a person as being engaged in buying and selling securities (or government securities) for its own

[4] *See e.g.* (i) Public Securities Locating Services, SEC Staff No-Action Letter (Sept. 8, 1973); (ii) Burton Securities, SEC Staff No-Action Letter (Dec. 5, 1977); (iii) United Trust Co., SEC Staff No-Action Letter (Sept. 6, 1978); (iv) Stephen V. Hart, SEC Staff No-Action Letter (Mar. 6, 1980); (v) Louis Dreyfus Corp., SEC Staff No-Action Letter (July 23, 1987); (vi) Continental Grain Co., SEC Staff No-Action Letter (Nov. 6, 1987); (vii) United Savings Association of Texas, SEC Staff No-Action Letter (Apr. 2, 1987); (viii) Fairfield Trading Corp., SEC Staff No-Action Letter (Jan. 10, 1988); (ix) Financial Modernization Act of 1999, Pub. L. No. 106-102, 113 Stat. 1338 (1999); (x) Definition of Terms in and Specific Exemption for Banks, Savings Associations, and Savings Banks Under Sections 3(a)(4) and 3(a)(5) of the Securities Exchange Act of 1934, Exchange Act Release No. 46745 (Oct. 30, 2002), 67 Fed. Reg. 67,496, 67,498–500 (Nov. 5, 2002); and (xi) Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 (2010). See Further Definitions of "Swap Dealer," "Security-Based Swap Dealer," "Major Swap Participant," "Major Security-Based Swap Participant," and "Eligible Contract Participant," Exch. Act Rel. No. 66868 (Apr. 27, 2012), 77 Fed. Reg. 30,596, 30,607 (May 23, 2012) (the "**SBS Release**"). The SEC affirmed the use of the Dealer-Trader Distinction in the context of security-based swaps for purposes of implementing the provisions of the Dodd-Frank Act under the SEC's purview.

[5] Dealer Release at 23061-62.

[6] Dealer Release at 23061.

[7] Dealer Release at 23062.

account "as a part of a regular business" are:

(a) routinely making roughly comparable purchases and sales of the same or substantially similar securities in a day (the "**Intra-Day Test**");[8]

(b) routinely expressing trading interests that are at or near the best available prices on both sides of the market and that are communicated and represented in a way that makes them accessible to other market participants;[9] or

(c) earning revenue primarily from capturing bid-ask spreads, by buying at the bid and selling at the offer, or from capturing any incentives offered by trading venues to liquidity-supplying trading interests (the "**Revenue Test**").[10]

An additional quantitative standard has been proposed in respect of government securities that would automatically deem the person to be engaging in the activity "as part of a regular business," where such person is engaged in buying and selling more than $25 billion of trading volume in government securities in each of four of the last six calendar months, irrespective of whether the person meets any of the qualitative criteria.[11]

In contrast to the traditional Dealer-Trader Distinction analysis which focuses on each individual legal entity, the Proposed Rules also defines trading for a person's "own account" to require that entities must consider their activities and, in the case of government securities, their government securities trading thresholds, by aggregating across other entities that they "control" or are under common control with. Additionally, investment advisers would need to aggregate their proprietary trading where (i) their clients utilize a "parallel" trading structure, in that they follow generally the same trading strategy and invest side-by-side and where (ii) the adviser "controls" the client, such as through an ownership interest in the client or the right to vote or direct the vote of voting securities of the client.

Therefore, after (i) aggregation of an entity's trading volume and behavior that is attributed to it, and if: (ii) such qualitative and quantitative standards are met; or (iii) any "otherwise applicable dealer precedent" (to the extent not overturned by the Proposed Rules)[12] is met, then that market participant would

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[8] Dealer Release at 23065.
[9] Dealer Release at 23065.
[10] Dealer Release at 23065.
[11] Dealer Release at 23062.
[12] Dealer Release at 23059.

be required to register as a dealer and become a member of a self-regulatory organization ("**SRO**"), absent an exception.[13]

(iii) Exceptions

The Proposed Rules provide two exclusions from the qualitative or quantitative standards:

(a) an investment company registered under the Investment Company Act of 1940 (the "**Investment Company Act**"); and

(b) a person that has or controls total assets of less than $50 million.[14]

(iv) Covered Market Participants

Based on the foregoing, such market participants are expected to include:

(a) those engaged in liquidity provision or dealer-like activities that trigger the new qualitative tests because of its trading volume or activities in its "own account," including aggregation with client accounts that it is deemed to have "control"[15] over, such as PTFs and hedge fund managers, but can also include registered investment advisers; and

(b) funds themselves that are not registered investment companies under the Investment Company Act that trigger any of the new qualitative standards because it utilizes certain trading strategies.

II. Committee Comments

The Committee fully agrees that the advancement of electronic trading and related market technologies has resulted in a continuing and fast-paced evolution of securities trading across markets and asset classes and, that regulation has not kept pace with these changes. We support efforts to help the Commission modernize those regulations to meet current and future market

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[13] Both a dealer or government securities dealer would register with the Commission as a dealer or government securities dealer, respectively, and apply to become a member of FINRA, the only registered national securities association.

[14] This exemption corresponds to the definition of an institutional account under FINRA Rule 4512(c).

[15] Proposed Rules 3a5-4(b)(2)(ii)(B); Rule 3a44-2(b)(2)(ii)(B).

activities. However, such rules and regulations must have the appropriate time to be challenged, to enable any material issues to be resolved and such changes be absorbed by the markets and market participants. The Committee believes that it is critical that more time and consideration is taken when adding to such a complex body of law.

The Committee's comments are as follows:

The Committee believes that the comment period of 60 days is inadequate given the importance, size, scope and potential implications of the Proposed Rules. The Proposed Rules themselves include 84 separate requests for comment, many of which include multiple parts, yet most public comment letters will not be able to address these questions substantively for lack of time. We are concerned that the limited comment period may result in unintended consequences by failing to engage all relevant market participants, regulators and industry groups in a meaningful dialogue which would result in more tailored, effective and flexible rulemaking.[16] For example, the proposed tests for the definition of "dealer" requires interpreting terms that are not yet settled because they are concurrently being commented on in a proposed form (the ATS Proposal, as discussed below). Given the limited comment period, we have not been able to address each of the requests for comment. However, we have highlighted some key concerns that we believe require further time and consideration by the Commission at a minimum.

A. The Commission should give market participants additional time to analyze the economic effects of the Proposed Rules in tandem with the ATS Proposal (as defined below).

The Proposed Rules follow a number of other interrelated Commission proposals that could signal significant changes for securities markets and market participants, including the new rules proposed by the Commission on March 18, 2022 to amend Exchange Act Rule 3b-16(a), the Communication Protocol Systems that would fall within the definition of "exchange," and the existing exchange regulatory requirements that would apply to a Communication Protocol System (the "**ATS Proposal**").

For example, the qualitative tests under the Proposed Rules use the new definitions of "trading interest" and "trading venues" – definitions that define the scope of both "dealers" and "exchanges" – currently under a newly reopened comment period in the ATS Proposal. The Proposed Rules note that it is designed to capture dealing activity wherever it occurs, including on "trading venues" that are Communication Protocol Systems, as defined in the ATS Proposal. The

[16] We agree with the Alternative Investment Management Association comment letter and reiterate our timing concerns due to the dearth of the public comment engagement we would usually expect from a proposal of this magnitude.

Committee is concerned that the Proposed Rules may have unanticipated interactions with other currently pending rulemakings. We believe that a longer, more deliberate rulemaking process that allows for greater public comment would be particularly helpful given the risks of unintended consequences

Taken together, the ATS Proposal and the Proposed Rules would subject many persons, firms, and algorithmic systems that are now unregulated to broker-dealer registration and an extensive broker-dealer regulatory regime under the Exchange Act, which includes registration with the SEC and FINRA and one or more state regulatory authorities, compliance with a vast array of financial, compliance, recordkeeping and reporting obligations, as well as periodic examination by regulatory authorities. While the Committee recognizes and acknowledges that the Commission proposals are intended to protect investors and even the playing field for registered and unregistered entities, the imposition of an overlay of new regulation on regulated and unregulated markets and market participants is a complex undertaking and requires time and consideration of all collateral effects. It is overly complicated and unfeasible to attempt to assess the impact of both the two proposals (and potentially others) on markets, market participants and investors within the allotted comment period. We are concerned that commenters do not have sufficient time and understanding of existing proposals to comment on how this proposal might be affected by—or might affect—other rules that have been proposed. For example, many of the private funds and advisers potentially subjected to the Proposed Rules are simultaneously facing substantial changes in their regulation under the new rules proposed by the Commission on February 9, 2022 affecting private fund advisers and amendments to the Investment Advisers Act of 1940 (the "**Advisers Act**") compliance rules (the "**Private Fund Advisers Proposed Rules**").[17]

This concern is particularly acute in the present case. Given the Commission has reopened the comment period for the ATS Proposed Rules and Private Fund Advisers Proposed Rules until June 13, 2022, it appears that the Commission agreed that market and industry participants require additional time to review the multitude of proposed new rules, including how they may interact with each other.

Accordingly, the Committee recommends that the ATS Proposal and the Proposed Rules be re-proposed in tandem so that the potential implications of their adoption be fully vetted, including consideration of the economic effects, costs, benefits and effects on efficiency, competition and capital formation. In the alternative, the comment period for these Proposed Rules should be re-opened and extended following the expiry of the ATS Proposal comment period to align at minimum with the ATS Proposal's extended timeline for comments (*i.e.,* the

[17] SEC Release No. IA-5955 (Feb. 9, 2022), 87 Fed. Reg. 16886 (Mar. 24, 2022).

same extended period the other rule proposals have received).

B. The Proposed Rules will have unintended consequences on private funds, advisers, and control affiliates who will have difficulties operationalizing the Proposed Rules and monitoring for compliance or complying with registration.

The Proposed Rules are directed at PTFs that act as major liquidity providers, and are proposed broadly to capture the dealer registration of certain private funds and their managers, as well as registered investment advisers whose clients engage in certain trading strategies (subject to the "control" standard discussed above).[18] For example, the Proposed Rules' new qualitative standards will affect any advisers and funds that use arbitrage strategies to profit from a "spread" caused by market inefficiencies.

(i) The Proposed Rules are subjective and it will be difficult for funds and investment advisers to anticipate what triggers the irrebuttable qualitative standards for dealer-registration and to calculate the aggregate trading that falls under their "own account."

The Proposed Rules also impose additional rules that can subject investment advisers to the activities and trading of both their affiliates and clients. Under the proposed expanded interpretation of "own account," a client's or affiliate's trading strategies are aggregated, and may also trigger the dealer rules, with an adviser if they are deemed to "exercise control over" such accounts.

While the Proposed Rules purport to establish clarifying qualitative standards, the new standards are subject to interpretation themselves and, as noted above, certain terms within these qualitative standards are still subject to public comment in the ATS Proposal. We have only noted a few examples below where the language is sufficiently vague as to cause interpretation issues in practice:

(a) For example, advisers and funds must now consider how many purchases and sales constitute trading that is "more frequent than occasional."[19]

(b) This is in addition to the operational difficulties in monitoring a firm's "substantially similar" calculations in

[18] Dealer Release at 23057 ("[T]he Commission's analysis indicates that the Proposed Rules would primarily require registration by PTFs, and potentially some private funds. In addition, it is possible that the activities of some investment advisers could meet the Proposed Rules and trigger a dealer registration requirement. The Commission believes the scope of the Proposed Rules is appropriate in light of the important liquidity that these participants provide to the securities markets, which is similar to that historically provided by regulated dealers.")
[19] Dealer Release at 23066 (citing the SBS Release at 30609).

order to aggregate all of its affiliates' compliance under the various tests triggered by trading behavior.

(c) We also note that the consequences of aggregating client assets of a registered investment adviser using a "parallel funds" structure will capture regulated firms, far removed from the unregistered proprietary trading firms the SEC states it intends to capture under the Proposed Rules.

(d) The "parallel account structure" in the Proposed Rules could potentially capture a broader array of private funds and their advisers under the Intra-Day Trading Test if separate private funds focused on similar or complimentary industries or sectors, for instance, were captured under the Intra-Day Trading Test which captures trading in "similar securities."

The structure of the presumptions necessitates that funds and advisers monitor their trading for compliance under every single test; some of which as we have explained can capture non-dealer-like trading activities.

We also expect that the vast majority of entities potentially subject to the Proposed Rules are already regulated as investment advisers. As a result, the Commission already has transparency into their activities such that an overlay of one of the most highly complex and burdensome regimes, which without more consideration, appears unnecessary. There should be further consideration given to more incremental or marginal changes under the advisers regime to collect the additional information that the Commission needs, *e.g.* enhanced disclosure, rather than imposing an entirely new regulatory regime on advisers.

(ii) Requiring private funds and fund managers captured by the Proposed Rules to register as broker-dealers is not practicable for many current fund and manager structures.

The Proposed Rules fail to consider the mechanics and collateral impact of practically registering funds as dealers. Many investment funds and fund managers could trigger the Proposed Rules through their trading activities. However, it remains unclear how private funds themselves could practically register as dealers under the Proposed Rules. Instead, the Commission explicitly excludes registered investment companies under the Investment Company Act from the Proposed Rules, and outlines their rationale for the dealer registration of private funds relying on exemptions under Section 3(c)(1) and 3(c)(7) from the Investment Company Act with no further guidance.

For example, these funds are often pools of assets, with no personnel, and rely on their fund managers for all functions. They are not set-up with the vast and complex regulatory and personnel structure required of dealers, which requires certain licensed, personnel to carry out the functions of the dealer and places obligations on those personnel across every aspect of their business.

The Committee therefore requests more time to engage with the Commission and the industry on the practical implications on such important market participants to the U.S. securities and treasuries markets. If funds were required to register as dealers, it would require a complete overhaul of their current structure, potentially causing significant disruption – if not temporary or longer term cessation – to the operation of the fund. This would of course harm the investors in the funds. For example, it would seem that imposing the net capital rule on hedge funds, through dealer registration triggered by the Proposed Rules, would curtail their ability to trade effectively and may cause those funds to wind down, which would have inadvertent effects on market liquidity. Moreover, the addition of this new category of registrants would likely require FINRA to provide for new registration categories to address these practical concerns, another consideration that the Commission should consider as part of its Regulatory Flexibility analysis.

C. The Proposed Rules may negatively affect competition and liquidity in the securities and government securities market by chilling bona fide trading strategies.

The lack of interpretation on the qualitative standards are likely to lead to a chilling effect on price discovery and liquidity. Because the qualitative standards are unclear, firms are likely to pull back from legitimate investment and trading strategies that are outside the scope of the Proposed Rules due to perceived regulatory risk. For example, many investment strategies, such as arbitrage trading or "substantially similar" trading in securities in parallel account structures, could be viewed as falling within the qualitative dealer test. As a reaction to the Proposed Rules if passed, it is unclear whether firms engaging in activities that would become subject to dealer registration would choose to register or disengage from certain trading activities to avoid dealer registration. If firms choose to cease engaging in such trading, market liquidity could be impacted and arbitrage mechanisms that keep prices aligned, if not replaced by registered dealers, could fail, leading to market distortions.

These potential run-on effects are currently unexamined in the Proposed Rules and require further Commission engagement with market participants and the industry.

D. The Proposed Rules would have a chilling effect on technological innovation, particularly in the blockchain industry, and are being considered

at a time when the Biden Administration is taking a multi-agency approach to digital assets.

While the Proposed Rules explicitly call out its application to digital assets in a footnote, the Commission to date has not provided the necessary guidance in these Proposed Rules or any other proposed rule that may guide market participants through an industry currently rife with rule-making by enforcement.[20]

For example, to date, the Commission has only provided a limited broker-dealer registration category for market participants in digital assets ("**special purpose broker dealer**"),[21] which is currently impractical for many to rely on (as evidenced by the current lack of any approved special purpose broker-dealers), let alone providing a new category of dealers in the digital asset space. The conditions of this special purpose broker-dealer category are onerous and, depending on how strictly they are interpreted by the Commission, potentially impracticable to satisfy. We have observed that attempting to satisfy the requirements of this category would likely entail significant engagement with the Commission and FINRA staffs, with no guarantee of success. We do not expect FINRA to approve any special purpose broker-dealers until the Commission provides further guidance so the industry is effectively unable to register as digital asset broker-dealers.[22]

Therefore, the securities industry still lack clear guidance as to (i) when digital assets are securities and (ii) the path to registration as a broker-dealer when securities status is determined.

This is particularly of concern when in March, the Biden Administration issued an Executive Order which takes a multi-agency approach to addressing the risks and potential benefits of digital assets and their underlying technology (the "**Executive Order**").[23] To date, there has not been any further guidance from the

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[20] Dealer Release at 23057 n. 36.
[21] SEC Release No. 34-90788 (Dec. 23, 2020), 86 Fed. Reg. 11627 (Feb. 26, 2021).
[22] The Proposed Rules contain no further guidance indicating how the Commission or much less an adviser, fund, or digital asset newcomer to the industry, should analyze factors that the Commission deems critical in determining whether a digital asset qualifies as a "security," beyond what is well known under the existing *Howey* test and progeny. Indeed, questions relating to when a digital asset qualifies as a "security" or not is still being debated via enforcement action at the moment. The Proposed Rules' definition of "dealer" can include persons and entities that use novel trading technology to execute trades that provide market liquidity, including those persons acting as significant liquidity providers on digital asset exchanges and decentralized finance platforms to the extent they are dealing with securities, a critical threshold question that lacks guidance from the Commission in the context of analyzing unique features of digital assets that go beyond the *Howey* test. As noted, to date, we understand that many digital asset firms have submitted applications to become a broker-dealer but have not received approval.
[23] *See* The White House Briefing Room, Presidential Actions: Executive Order on Ensuring Responsible Development of Digital Assets (March 9. 2022) (https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/09/executive-order-on-ensuring-responsible-development-of-digital-assets/)

Commission or most of the other agencies. This approach to regulating dealers of digital assets would appear to conflict with the approach being taken by the Biden Administration, which calls for coordination among a broad range of government agencies to develop an appropriate approach to digital assets. At minimum, the Commission should clarify how firms can register or comply with dealer-registration requirements for their digital asset trading activities.

E. It is not clear to the Committee that the approach taken by the Commission in the Proposed Rules is the appropriate route.

As the Proposed Rules are currently drafted, it is not clear to us whether rulemaking is necessary or in the right form. We believe that the Commission should work towards creating a dealer construct that is flexible enough to handle future developments in the market (and technology). For example, given the extensive body of guidance issued by the Commission over the decades, an alternative and more holistic approach would include codifying the Dealer-Trader Distinction guidance, and including the necessary enhancements to address high frequency trading, while retaining the nuances of a balancing test. The Commission has historically engaged the industry during broad sweeping rulemakings in order to catch the nuances that make the proposed rules flexible enough to stand the test of time and technology developments. We kindly request that the Commission consider the same here.

F. The Committee estimates that the costs of the Proposed Rules may be understated.

Based on the foregoing, we do not think there has been sufficient time or an appropriate cost-benefit analysis on the actual impacts on the covered market participants or on collateral impacts on the markets, market participants and investors. Given the uncertainty around registration categories for funds and practical aspects of registering digital asset broker-dealers, the costs are certainly going to be far greater than the Commission's estimates. The uncertainty created by the Proposed Rules as is will likely drive many funds and advisers out of liquidity-providing activities, causing the U.S. markets to be substantially less liquid and deep, which would harm both investors and issuers. The Committee urges the Commission to re-engage, on at least the foregoing points, in order to conduct a more comprehensive analysis.

We greatly appreciate the opportunity to provide comments with respect to this important rule-making effort and thank the Commission staff for its efforts and thoughtful approach to the issues addressed by the Proposed Rules. Members of the Drafting Committee are available to meet and discuss these matters with the Commission staff and to respond to any questions.

Very truly yours,

Jay H. Knight
Chair of the Federal Regulation of
Securities Committee

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