



Securities Industry Association

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September 7, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

Re: Commission Guidance Regarding Client Commission Practices Under Section 28(e) of the Securities Exchange Act of 1934 (Release No. 34-54165, File No. S7-13-06)

Dear Ms. Morris:

The Securities Industry Association (“SIA”)¹ appreciates the opportunity to comment further on the Commission’s guidance regarding client commission practices under Section 28(e) of the Securities Exchange Act of 1934.²

While SIA’s December 1, 2005 letter was supportive of most of the proposed guidance, it did express significant concerns regarding how certain portions of it might adversely impact correspondent arrangements, which, among other things, often facilitate the ability to provide clients with both high quality research and brokerage execution. In particular, given the way such arrangements have evolved, the proposed requirement that four specific conditions had to be met for the broker to be deemed to be effecting the transaction, would have significantly impaired the ability to continue many of these arrangements. Therefore, SIA is pleased that the Commission, in issuing its July 18, 2006 interpretation, has addressed these, and related concerns, by modifying its guidance to make it more flexible and accommodating to a wider range of commission sharing

¹ The Securities Industry Association brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA’s primary mission is to build and maintain public trust and confidence in the securities markets. SIA members (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals, and its personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2005, the industry generated an estimated \$322.4 billion in domestic revenue and an estimated \$474 billion in global revenues. (More information about SIA is available at: www.sia.com.)

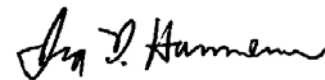
² See letter from Ira D. Hammerman, SIA General Counsel to Jonathan G. Katz, SEC Secretary entitled “Proposed Commission Guidance Regarding Client Commission Practice Under Section 28(e) of the Securities Exchange Act,” December 1, 2005.

arrangements that are “consistent with the statute and best serve investors.”³ The modifications state that in a commission sharing arrangement, a broker would only need to meet one of the specific conditions with the remaining conditions/activities being allocated to others. Additionally, the Commission has added clarity and flexibility to the terms “effecting” and “provided by” as they apply to commission sharing arrangements.

SIA believes that the above described modifications to the proposed guidance will substantially reduce the potential for unintended consequences, and we appreciate the Commission’s responsiveness to the concerns that we and other commentators raised. We also appreciate that the Commission has provided an additional comment period to enable commentators to respond to these significant modifications. We do note that given the acknowledged variety and complexity of these arrangements,⁴ it may take some time to evaluate whether the Commission’s revised guidance fully resolves the concerns which led to the modifications. Therefore, we hope that the Commission’s offer to consider issuing supplemental guidance will extend not only to comments received in conjunction with the current comment period, but also with respect to any concerns or issues that may arise later as parties to commission sharing arrangements gain more experience in applying the new guidance.

Should there be any questions regarding this or our prior comment letter, or if we can otherwise be of assistance, please contact the undersigned at 202-216-2000 or Michael D. Udoff at 212-618-0509.

Sincerely,



Ira D. Hammerman
Senior Vice President
and General Counsel

cc: The Honorable Christopher Cox, Chairman
The Honorable Paul S. Atkins, Commissioner
The Honorable Roel C. Campos, Commissioner
The Honorable Annette L. Nazareth, Commissioner
The Honorable Kathleen L. Casey, Commissioner
Robert L.D. Colby, Acting Director, Division of Market Regulation
Andrew J. Donohue, Director, Division of Investment Management
Erik R. Sirri, Incoming Director, Division of Market Regulation
Robert E. Plaze, Associate Director, Division of Investment Management
Patrick M. Joyce, Special Counsel, SEC
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Marlon Quintanilla Paz, Special Counsel, SEC
Jo Anne Swindler, Assistant Director, SEC

³ See adopting release at p.52.

⁴ See adopting release at p.53.