

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

Re: File Number S7-06-044: Mutual Fund Point of Sale Disclosure

Dear Sir:

On behalf of Raymond James Financial, Inc. (RJF or the Company), I am pleased to submit the following comments with respect to File Number S7-06-04 regarding proposed confirmation requirements and point of sale disclosure requirements for transactions in mutual funds and other securities.

RJF is a diversified financial services holding company whose subsidiaries engage in securities brokerage, investment banking, asset management and other financial services throughout the United States and internationally. The Company's domestic broker-dealer subsidiaries have approximately 4,400 financial advisors in more than 2,100 locations worldwide; through those subsidiaries, the Company distributes over 9,000 mutual funds marketed by 275 mutual fund complexes; the Company's clients own over \$39 billion in mutual fund assets.

In our April 1, 2004 comment letter addressed to the initial point of sale disclosure proposal (Release No. 33-8358) we indicated that RJF has long been an industry leader in providing detailed information to mutual fund investors regarding many of the issues addressed in these proposals. We expressed our support for any proposal that would provide relevant information to investors in a concise and understandable manner at a reasonable cost.

We believe that the Commission has attempted to be responsive to the comments received from us and hundreds of other commentators; however, we believe that the requirements for transaction specific information would continue to impose enormous costs on the industry while providing only limited additional benefits. And in its re-proposal, the Commission has proposed a significant expansion in the scope of the required disclosures. In evaluating these proposals, we urge the Commission to consider the following general principles:

A. Burdensome and costly regulation is not a benefit to investors; on the contrary, it poses serious disadvantages to investors.

We believe that mutual funds are the most important financial product available to the ordinary investor, and should represent the basis for any sound investment program (see testimony of Chet Helck, the President and

Chief Operating Officer of the Company, before the Senate Banking Committee on March 31, 2004). If the securities industry is required to incur billions of dollars of costs to market mutual funds to investors, these costs will inevitably be passed on to investors, reducing the value of their investments. Of equal importance, to the extent that the sale of this invaluable product is encumbered by burdensome documentation and regulatory requirements, financial advisers will be incentivized to direct investors to competing products which may or may not be of equal benefit: exchange-traded funds, common stocks, etc.

Furthermore, because the burden of gathering and processing this information increases by the number of mutual funds sold, many firms will understandably choose to limit the number of funds offered to investors. At our broker/dealers, we offer over 9,000 funds, representing a broad spectrum of the funds available in the marketplace. We could reduce our costs under this proposal by dramatically limiting the offering we make to investors to 10% of that number. We do not believe that a reduction in the funds offered would benefit the investing public, but that may be a direct result of this regulatory approach.

In short, regulation is not a "free good": the impact of these regulations will increase costs to investors, diminish the availability of the product and - - ultimately - - rebound to the disadvantage of the investor.

B. If 90% of the proposed information can be provided at 10% of the cost, the Commission should think long and hard before requiring investors to bear the cost for providing that additional 10%.

Most of the information addressed in the proposal can be made available to investors by a combination of standardized disclosure on broker-dealer websites and generic disclosure of potential conflicts of interest in confirmation forms. In our own case, we estimate that repeat mailings would cost RJF approximately \$3,183,000 during the first year. Recurring printing costs would be approximately \$1,700,000.

The cost of providing the additional 10% of information - - transaction/specific disclosure and regular paper dissemination of this information - - is totally disproportionate to the disclosure value added.

C. Broker-Dealers should not be expected to provide information that is generated by mutual fund management companies until those companies are directed by the Commission to provide the information to the broker-dealers in a form that can be economically disseminated.

In a dramatic expansion of the scope of the original proposal, the Commission now proposes to require the point of sale disclosures to include "comprehensive information" including "management fees" and "other

expenses" of the management company. There is no possible way for broker-dealers to provide that information at the present time without studying the prospectus of each fund offered.

Moreover, that information is already contained in mutual fund prospectuses. Requiring broker-dealers to republish at their expense information contained in mutual fund prospectuses is tantamount to an acknowledgement that the present prospectus disclosure regime is not useful to investors. If the Commission truly believes that, it should address the issue in a more candid fashion by revisiting the entire structure of the relationship between the Investment Company Act of 1940 and the Securities Act of 1933.

With these general observations, which we urge the Commission to consider, we respectfully offer the following specific comments:

1. Disclosure should be limited to standardized transactions on broker-dealer websites.

The cost of mandating transaction specific information would outweigh the benefit of the additional cost incurred.

Most contacts between financial advisers and their customers takes place in person, at a location where computer access is available. The financial adviser can bring up the information on a computer screen and, if the client prefers, print out a copy.

The increase in cost required to process customer specific transactions and mail that information to customers would be extraordinary. As noted, we estimate that at RJF, the additional cost (during the first year) would be over \$5 million.

2. The Commission should adopt a presumption that access to a website containing POS information constitutes delivery to the customer.

A requirement that acceptance of an order from a customer be deferred until physical receipt of the POS disclosure would disadvantage investors who expect prompt execution of their orders. Such a proposal could require a delay of two or three days pending mail delivery of the disclosure form. Given the concerns expressed by many investors over the proposed "hard close" for mutual fund orders, which could have deferred some orders for execution until the following day, it seems extraordinary that the Commission would favor a proposal that could delay execution of orders for several days.

Accordingly, we recommend that the Commission adopt the "access equals delivery" model suggested by the Commission in the Prospectus Delivery Release (Release No. 33-8501: proposed Rule 172). Under this approach, disclosure of accurate information on websites would be presumed effective delivery to investors.

We recommend that the confirmation for the purchase of the mutual fund also contain direct reference to the website and 800 telephone numbers where this information can be accessed by investors for future reference.

3. Subsequent purchases should be exempt from mandatory disclosure.

Customers who have received the initial disclosure information should be trusted to have understood it and decided on its significance. If they think it important, they can ask for an update at the time of any subsequent purchase. To create a regulatory regimen designed to "accommodate investors who might have been distracted at the time of the initial point of sale disclosure or might have forgotten about it..." is to carry regulation to the point of absurdity.

4. Money market funds should be exempted from the point of sale disclosure program.

The issues addressed by the Commission have limited applicability to money market fund purchases.

5. The Commission should not mandate the format of font size and layout.

It is sufficient to provide for standard definitions and items to be disclosed.

6. The Commission should not require presentation of information contained in the mutual fund prospectus.

As we noted under the "general principles" above, if the Commission has come to believe that prospectus disclosure serves no useful purpose, then it should reexamine the prospectus disclosure regime. It is burdensome and unreasonable to require broker-dealers to reproduce information that is contained in the prospectus.

7. There should be a level playing field for disclosure.

To the extent applicable, banks, financial advisers and all others who sell mutual funds should be required to provide the same information.

8. The confirmation sent to investors should provide generic disclosure of possible conflicts of interest, with a cross reference to where the client can obtain detailed information.

We suggest that mutual fund confirmations contain generic disclosure along the following lines:

"In addition to the sales commissions noted above, the Company also receives directed payments from some mutual fund distributors and receives fees for execution of brokerage transactions on behalf of some mutual fund companies. Some persons may perceive these payments to present a conflict of interest on the part of the Company

in recommending these funds. Additional information regarding these payments and fees is available on the Company's website at: _____, or can be obtained by calling the following 800 telephone number: _____."

9. The Commission should not mandate comparative information unless the Commission adopts rules that will require the mutual fund industry to provide the necessary data.

It is appropriate for the Commission to require each broker-dealer to disclose information that is unique to the compensation or other payments received by that broker-dealer, so long as compliance costs are reasonable. However, the Commission should not mandate disclosure by broker-dealers of "comparative" information or information purporting to show "average" or "mean" compensation levels until it has established rules requiring the mutual fund industry to generate that information and provide it to broker-dealers in a usable form. At the present time, there is no way that the securities industry can provide accurate data of this kind.

10. Broker-dealers that act as clearing agents for other firms should not be required to provide disclosure for the introducing firms.

Clearing firms are not privy to information related to revenue sharing or other special arrangements that may exist between mutual fund distribution companies and their correspondent firms. The obligation to disclose that specific data should not be imposed upon the clearing firm.

11. Specific comments regarding POS disclosure for variable annuities (attachment 7).

- Separate forms should be provided for “A” share, “B” share and “C” share fee structures as proposed for mutual fund shares.
- As stated with respect to mutual fund disclosure, the POS disclosure should not have to provide information contained in the prospectus, or serve as an alternative to the prospectus.
- The nature of variable insurance policies are so different from variable annuity and mutual fund products -- and the pricing structure so dependent upon individual client characteristics -- that comparisons can only be misleading. Accordingly, no POS disclosure should be required for these policies.

Respectfully submitted,

Barry Augenbraun

Senior Vice President and
Corporate Secretary