

***GWFS Equities, Inc. 8515 E. Orchard Road, Greenwood Village, Colorado 80111***

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April 4, 2005

**Via Email**

Mr. Jonathan Katz, Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0609

Re: File No. S7-06-04

Dear Mr. Katz:

GWFS Equities, Inc. ("GWFS") respectfully submits this letter in response to the Securities and Exchange Commission's (the "Commission") request for comments regarding the proposed rules on point of sale and confirmation disclosures.

GWFS recognizes the objective of the proposed rules and appreciates the Commission's efforts to assist investors in obtaining necessary information in order to make informed investment decisions. As a preliminary matter, GWFS does support meaningful disclosure for mutual fund shareholders and variable contract owners. However, GWFS believes that the disclosure, which is the subject of the proposals, appears to be duplicative of the contents and delivery of mutual fund and variable contract prospectuses. For example, most of the costs to be disclosed are already contained with the applicable prospectus, which is intended to be the primary disclosure tool in the offering of a security.

Further, GWFS believes the implementation and ongoing compliance costs per firm are significantly understated. Among the costs associated with this proposal are administrative, compliance and systems functionality expenses. Under the rule, fund and insurance companies are not mandated to provide the information to broker/dealers. Thus, broker/dealers will be required to work with each company to obtain and keep updated all information needed to provide the disclosure. Each time a fund company's expenses change, the point of sale disclosure document and the confirmation document must be updated.

GWFS' primary market is the deferred compensation market – 401(k), 457 and 403(b) retirement plans. It has thousands of plan customers each making fiduciary decisions concerning the funds that will be offered through their respective plans. As a result, each retirement plan offers several funds that most often differ from plan to plan. As a result, GWFS deals with hundreds of different fund companies, many of which can and do have different fiscal year-ends. Therefore, each time the fund expenses change, the forms must be updated. Under the proposal, GWFS will need to work with and establish procedures with each fund company to obtain the necessary information to prepare the disclosure documents contemplated by the proposal and establish a whole new level of reviews and controls around this process. As a result, it appears that the administrative burden of providing data that is within the control of the fund companies is being shifted to broker/dealers rather than being borne by the appropriate party. Under current laws, rules and regulations, each fund and insurance company must annually update its respective prospectuses with this data. Therefore, requiring broker/dealers to provide a completely new and redundant disclosure, resulting in the creation of new systems functionalities as well

as administrative and compliance duties seems to be an unnecessary burden on broker/dealers and may result in investors not reading the primary disclosure tool – the prospectus.

GWFS is also concerned about the timing of the delivery of this information and the requirement for oral disclosure. How does the broker/dealer supervise oral disclosure to ensure compliance with the proposed rules? What happens when there is a dramatic market correction and the disclosure was provided orally – does the customer have the ability to assert that the disclosure was not made and indefinitely have the right to terminate the transaction based on a claim of not having received the disclosure? The Commission has inquired whether a signature on the point of sale disclosure document would address questions of this type. While it may address these types of questions, the cost of compliance with the rule then concomitantly increases, as the customer will need to retain a copy of the disclosure as well as the broker/dealer. The broker/dealer then will need to incur additional expenses to maintain and store the signed disclosure forms.

A disclosure that only discusses fees and expenses may overstress this aspect of the purchase and not provide a balanced review by the investor on all aspects of the purchase such as overall returns and risks associated with the investment.

Inasmuch as the disclosures contemplated by the rules are, for the most part, currently contained within the primary disclosure document - the prospectus - it appears that a lot of structure, process and expense will result from the proposal simply to provide duplicative disclosure.

GWFS is providing this comment letter without having the time it would like to have had to consider all the issues presented by the proposed rules. As a result, GWFS respectfully requests that the Commission thoughtfully consider the many comments it has received and is receiving regarding this matter and not approve the rules as proposed or, alternatively, at least extend the deadline for providing comments so that the proposals can be studied and considered in greater depth so that the firm may more fully explore the ramifications of the proposals.

Sincerely,

Beverly A. Byrne  
Secretary & Chief  
Compliance Officer