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***Stifel, Nicolaus
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April 4, 2005

Via electronic mail to: rule-comments@sec.gov

Securities and Exchange Commission
Mr. Jonathan G. Katz
450 Fifth Street, NW
Washington, DC 20549-0609

RE: Proposed Point of Sale Disclosure Requirements
File Number S7-06-04

Dear Mr. Katz:

We appreciate the opportunity to submit our comments regarding the Securities and Exchange Commission's proposals to improve the disclosures given to investors of investment company securities. Stifel Nicolaus & Company, Incorporated ("Stifel") fully supports the concept of clear and concise disclosures for investors who are considering the purchase of mutual funds, annuities and/or 529 College Savings Plans. However, we have a few concerns with the proposal as currently written and have addressed these below.

First and foremost, we believe that informed investors make better choices regarding the numerous investment options available to them. At the same time, too much information can become overwhelming and may result in investors not reading any of them. Stifel has reviewed the SIA's comment letter to the SEC, dated April 2004, regarding these disclosures and we fully support their position as outlined in their letter. Stifel concurs that enhanced disclosures provided on the internet allows the information to be available to those that would like it, and that this approach will also assist with controlling the huge costs that would be incurred if the industry implemented the current proposed disclosures.

Investment Services Since 1890

Comment #1: Industry Database

The proposed Point of Sale Disclosure document and the proposed Trade Confirmation both contain data that is specific to the particular fund being offered. Firms must have information about breakpoint schedules, CDSC charges, management fees, distribution related costs, etc. in order to accurately produce the forms as outlined in the proposal. Before broker/dealers can be expected to comply, there must be an industry-wide initiative that requires fund companies to provide their data in an agreed upon and centralized format. The information provided must match what is in the prospectus and be updated in a timely manner as the fund company makes changes.

We propose that this information be provided by the fund companies to a central database for firms to download onto the client's disclosure forms. Fund companies are in the best position to know this information and know when it changes. We propose that either NSCC Profile II or Morningstar be involved in housing the information for firms to access and download.

If firms must manually maintain data for the literally thousands of cusips, there is the possibility of inaccurate information either incorrectly input or not kept current when the fund company makes changes. Again, it is essential that the information on the disclosures matches the information in the prospectus the client receives.

Comment # 2: Trade Confirmation Issues

The proposed forms only highlight three mutual fund share classes - A, B, and C shares as well as share classes for 529 Plans with a separate disclosure requirement. As the SEC is aware, there are many more share classes that must be considered, such as F, M, R, T, I, etc. Most broker/dealers use a third-party confirmation vendor to handle trade confirmations. Currently, mutual fund confirmations can be generated using brokerage firm's standard confirmation format. It will be extremely time consuming and costly to program new confirmations with distinct information for each share class. Broker/dealers could end up with upwards of ten different confirmation formats, depending on the fund families that they offer to clients. This places a huge burden on the broker/dealer.

In addition, some 529 Plan investments and annuity contracts are "confirmed" by the vendor when the investment has been made and not the broker-dealer, who facilitates the application process and would not necessarily have information sent or available to them regarding the final prices received on the portfolio (529s) or sub-account selections (annuities). (See below for a further discussion on this topic.)

Comment # 3: Internet Disclosure Forms

The SEC has proposed that information regarding conflicts of interest and revenue sharing be disclosed on each firm's website. Because the information that the SEC has proposed be displayed is so specific, these forms would generally need to be produced on a cusip-by-cusip basis. This means that there will be literally thousands of such disclosure forms to be maintained by the broker/dealer (or the data on each fund would need to be electronically available so that the form could be produced based on an inquiry from a client). Because of the sheer number of forms, clients may have difficulty finding what they are looking for on a particular fund. Clients may not know a fund symbol or cusip number, so they will be trying to access the fund's information by the name of the fund. This may be confusing and could result in clients mistakenly retrieving the wrong disclosure form.

In addition, the proposal is asking broker/dealers to keep track of quarterly payments (and even anticipated payments) from fund companies. This will require a tremendous amount of manual effort by each broker/dealer, to collect the information, verify its accuracy, and update and maintain the information on their website. Furthermore, the proposal is asking firms to quantify the various kinds of compensation received from a fund company, including incentive revenue, networking fees, etc. It will be a significant undertaking to collect, store, and continually update this information and make projections on anticipated future revenue.

Comment #4: Variable Annuities and 529 Plans

As difficult as it will be to obtain data from mutual fund companies in order to produce the required disclosures, it will be even more difficult for variable annuities and many 529 Plan investments. Currently, the industry does not have a centralized mechanism to exchange or report information on these investments. The standard is for the annuity company and/or the 529 sponsoring fund company to supply the client with a statement reflecting the investments, allocations, shares held and current value. The broker-dealer usually facilitates the application process and is not a party to many of these confirmations and statements. There is no NSCC/DTCC or a Profile II equivalent. The insurance companies, many of the 529 sponsoring fund companies, and broker/dealers will be starting from scratch trying to build a system so that information can flow through to the broker/dealer.

Comment #5: Multiple Transactions in Same Security

It is our understanding that currently, the SEC expects broker/dealers to produce a Point of Sale Disclosure each time a client makes a transaction in a mutual fund, even if the client currently owns the mutual fund. Sending multiple Point of Sale Disclosures for the same fund will only confuse the client and result in unnecessary expense for the

broker/dealer. If the trade confirmation is going to contain much of the same information as the Point of Sale Disclosure, then sending only a trade confirmation on additional purchases of the same fund would be more than sufficient. In addition, if a periodic purchase plan for a client has been established, where the client is purchasing a standard dollar amount of the fund on a regular basis, the firm should not be required to produce a Point of Sale document for each trade. We believe that if a client receives these forms too frequently, they will lose their effectiveness.

It is the SIA's position that if a Point of Sale Disclosure is provided to the client, that there is no need to repeat the information again on a trade confirmation. The SIA suggests that the trade confirmations be enhanced to include the sales charge rate (already has been done by firms) and also the dollar amount of the sales charge paid. This seems to be a more reasonable approach to providing disclosures to clients, and we agree with the SIA on this issue.

Comment #6: Costs Passed On To Investors

We agree with the SIA that focus groups need to be queried regarding what cost they are willing to pay for the additional disclosures. We believe most investors understand that investing has a cost associated with it and will be overwhelmed by all of the disclosures; disclosures which are already included in the most important document an investor receives, the prospectus. Increases costs will have to be passed along to the investor, including small investors that rely heavily on mutual funds.

Comment #7: Delays in Placing Orders

If the SEC's current proposals are accepted, an investor will have to wait to place an order until the appropriate disclosures have been delivered. Given the lack of readily available, consistently maintained data, client's funds may not be immediately invested in the market. In its comment letter, the SIA pointed out that even if the SEC moves towards internet disclosures, firms will feel the need to have paper documentation to prove that the required disclosures were delivered in the event of a complaint or arbitration. Again, this results in increased costs, which will be absorbed by investors.

Conclusions

Disclosures are essential to assist investors in making informed decisions about their investing dollars. Investors already receive the most important document, the prospectus, which outlines the objective(s), risks, fees, difference in share classes, breakpoint schedules, CDSC, etc. We believe that the proposals, as written, will cause unnecessary information to be delivered to investors and will increase the costs associated with mutual fund investments for these clients. The proposed rules will cause delays in investing until the disclosure documents are received, possibly resulting in missed market opportunities.

As an interesting comparison, these proposed rules exceed the disclosure requirements for penny stocks that represent a much higher risk to investors.

Brokerage firms cannot comply with the point of sale disclosures until there is a central database of the information to download into the various documents. Asking firms to do this manually is an impractical task for data input and maintenance for changes for the literally thousands of cusips. We believe the fund companies are in the best position for uploading the information and keeping it current.

While we support additional information to assist investors, we believe these proposed rules need to be carefully considered for both what investors are willing to pay and read in terms of information and what brokerage firms can actually deliver with the assistance of fund companies.

Furthermore, Stifel supports SIA's recommendations made in their comment letter to the SEC dated April 2004 and their draft response to the current proposals. We hope that you take the comments from our firm and other industry professionals under consideration when drafting the final rules.

Sincerely,



Barbara Gill
Compliance Officer



Lisa Bass
Operations Manager



Doug Noll
Director of Operations



Sharon Fleming
Mutual Fund Marketing Manager