

§ 7-25-99



Securities Industry Association

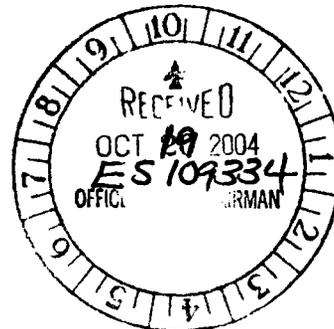
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October 15, 2004

Marc E. Lackritz  
President

The Honorable William H. Donaldson  
Chairman  
U.S. Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0506



Re: File No. 7-25-99  
Release No. IA-2278, Certain Broker-Dealers Deemed Not To Be  
Investment Advisers

*Bill:*  
Dear Chairman Donaldson:

We are aware that the Consumer Federation of America (“CFA”) recently submitted a supplemental comment letter<sup>1</sup> to you after the expiration of the comment period on the above referenced proposal.

While we do not believe it is necessary for SIA to re-address matters which we have already addressed in detail within the allotted comment period, we do wish to call your attention to a statement in CFA’s recent letter which militates strongly in favor of adoption of the final rule. Specifically, the CFA letter states that:

“CFA fully supports the notion that method of compensation should not determine the applicability of the Advisers Act...”<sup>2</sup>

While various commentators may have differing views on matters such as what constitutes an advisory activity, or the respective merits of the regulatory regimen applicable to broker-dealer and investment advisers, none, including CFA, appear to disagree with the notion that the method of compensation should not be determinative of whether a brokerage or advisory relationship exists. The only substantive modification which the current proposal would make to the definition of an investment advisory activity is with regard to the method of compensation. Therefore, it is inherently contradictory for CFA to support that “notion” and at the same time oppose the rule proposal which would make that notion a reality.

<sup>1</sup> Letter from Barbara Roper, Director of Investor Protection, Consumer Federation of America, October 5, 2004.

<sup>2</sup> Supra at p. 5.

We hope the Commission will proceed expeditiously with adoption of the final rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc", with a large, sweeping flourish at the end.

Marc E. Lackritz  
President

cc: Commissioner Paul Atkins  
Commissioner Cynthia Glassman  
Commissioner Harvey Goldschmid  
Commissioner Roel Campos  
Paul F. Roye, Esq.  
Annette Nazareth, Esq.  
Robert E. Plaze, Esq.  
Nancy M. Morris, Esq.  
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