



Securities Industry Association

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February 13, 2004

Jonathan G. Katz
Secretary
U.S. Securities & Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Re: Disclosure of Breakpoint Discounts By Mutual Funds
(Release No., IC-26298, File No.S7-28-03)

Dear Mr. Katz:

The Securities Industry Association ("SIA")¹ appreciates the opportunity to comment on the above referenced proposal which would provide for enhanced prospectus disclosure regarding breakpoint discounts on front-end sales loads, including, among other things, how fund transactions are valued for purposes of determining breakpoint eligibility, and whether information regarding breakpoints is available on a fund's website.

Background

As noted in the proposing release, examination sweeps by the NASD, NYSE and the Commission in late 2002 and early 2003 revealed a significant number of instances in which investors did not receive sales breakpoints to which they were entitled². In February 2003, the NASD formed the Joint NASD/Industry Task Force on Breakpoints, together with SIA and the

¹ The Securities Industry Association, established in 1972 through the merger of the Association of Stock Exchange Firms and the Investment Banker's Association, brings together the shared interests of nearly 600 securities firms to accomplish common goals. SIA member-firms (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 more than 800,000 individuals. Industry personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2003, the industry generated an estimated \$142 billion in domestic revenue and \$283 billion in global revenues. (More information about SIA is available on its home page: www.sia.com.)

² Proposing release at 4.

Investment Company Institute, to recommend ways in which the fund and brokerage industries can assure that investors properly receive such breakpoints. The recommendation contained in the Task Force report issued in July, 2003 included measures designed to improve the flow and content of information by both funds and broker-dealers to investors regarding breakpoint opportunities. The instant proposal is designed to implement such recommendations at the fund level, and SIA is pleased to support it, and to express its appreciation to the Commission for all of the support it has given to the Task Force's efforts to address breakpoint issues.

Discussion

SIA believes that this proposal meets the goal of presenting breakpoint information in a manner which will be easily understood by investors, and that is consistent with Task Force recommendations. We would also note that other Task Force recommendations call for the disclosure of additional breakpoint information at the broker-dealer level. Collectively these combined disclosures, coupled with other Task Force recommendations, enhance investors ability to be aware of potential breakpoint opportunities, whether they meet qualification thresholds, and, if so, whether they have, in fact, received the breakpoints to which they are entitled.

Also, we share the Commission's view that prospectus disclosure regarding breakpoints should be brief, so as to not overwhelm investors, particularly since prospectus disclosure is one of only several methodologies being implemented to alert investors to breakpoint opportunities.³

Conclusion

Based on the foregoing, SIA supports the proposed disclosure regarding prospectus and website disclosure of breakpoint information, and applauds the expeditious manner in which the Commission has acted to help implement one of the key Task Force recommendations.

Any questions regarding this letter may be directed to the undersigned at (212) 618-0509.

Very truly yours,

Michael D. Udoff
Vice President
Associate General Counsel
and Secretary

³ While it is critical that investors receive all the breakpoint discounts to which they are entitled, it appears that less than 1% of all fund transactions are entitled to breakpoints, though specific statistics are not available.