

September 19, 2007

Mr. Alexander T. Hunt
Desk Officer for Securities and Exchange Commission
Office of Management and Budget
Room 10102 New Executive Office Building
Washington, DC 20503

Dear Mr. Hunt:

Pursuant to the Paperwork Reduction Act of 1995, the Securities and Exchange Commission is submitting to the Office of Management and Budget an emergency request for Paperwork Reduction Act approval of Rule 206(3)-3T, Principal trades with certain advisory clients. Advisers that choose to rely on the new rule, would need to provide certain disclosures to clients and collect certain information from their clients.

On March 30, 2007, the Court of Appeals for the District of Columbia Circuit, in *Financial Planning Association v. SEC*, vacated rule 202(a)(11)-1 (17 CFR 275.202(a)(11)-1) under the Investment Advisers Act of 1940. Rule 202(a)(11)-1 provided, among other things, that fee-based brokerage accounts were not advisory accounts and were thus not subject to the Advisers Act. The Commission requested and the Court agreed to withhold the issuance of its mandate until October 1, 2007. The Commission sought the stay to protect the interests of investors holding an estimated one million fee-based brokerage accounts and to provide sufficient time for them and their brokers to discuss, make, and implement informed decisions about assets in the affected accounts.

After the *FPA* decision, several brokerage firms that offered fee-based brokerage accounts informed the Commission staff that, unless the Commission acts before October 1, 2007, one group of fee-based brokerage customers is particularly likely to be harmed by the consequences of the *FPA* decision: customers who depend both on access to principal transactions with their brokerage firms and on the attributes of a fee-based (rather than transaction-based) compensation structure. Firms explained that section 206(3) of the Advisers Act, the principal trading provision, poses a significant practical impediment to continuing to meet the needs of those customers. Rule 206(3)-3T provides firms with an alternative method to comply with section 206(3).

By making the rule effective on September 30, 2007, the Commission preserves investor choice. Because of the *FPA* decision and the October 1, 2007 expiration of the stay of the issuance of the Court's mandate to vacate the former rule, investors with fee-based brokerage accounts must now consider whether they should convert their accounts to advisory accounts or to traditional commission-based brokerage accounts. It is not possible for those customers to make a meaningful, well-informed decision if they do not know what services will be offered in advisory accounts. Firms informed the Commission staff that they would not permit principal trading without a rule that is

effective and that provides an alternative means of complying with section 206(3) of the Act. The risk of disrupting services to the investors, depriving them of the choice of an advisory account with a broker-dealer, and confusing them with a series of changes to the services available to them would have been substantial. Issuance of an immediately effective rule is necessary to ameliorate the likely harm to investors.

As you discussed with Lori Price of the Office of General Counsel, we are requesting OMB's approval on an emergency basis due to the need for immediate relief to assist with transition issues for former fee-based brokerage customers. We would appreciate your approval for the collection of information by September 21, 2007.

Thank you very much for your understanding and your assistance with this matter. If you need additional information concerning this matter, please contact Lori Price at 202-551-5196.

Sincerely,

R. Corey Booth
Director/Chief Information Officer

STATEMENT SUPPORTING NEED FOR EMERGENCY CONSIDERATION

The Securities and Exchange Commission (“Commission”) is requesting emergency consideration of one collection of information pursuant to 44 U.S.C. 3507(j) as implemented at 5 CFR 1320.13. The title for this collection of information is “Rule 206(3)-3T – Principal trades with certain advisory clients.” In connection with this request, the Commission has determined:

1. The collection of information is needed prior to the time periods established under the Paperwork Reduction Act of 1995, 44 U.S.C. 3501 et seq. (“PRA”) and applicable regulations, 5 CFR 1320.1 et seq.
2. The collection of information is essential to the mission of the Commission.
3. The Commission cannot reasonably comply with the normal clearance requirement of the PRA and applicable regulations because:
 - a. public harm is reasonably likely to result if normal clearance procedures are followed; and
 - b. the use of normal clearance procedures is reasonably likely to prevent or disrupt the collection of information.
4. The Commission requests that OMB approve or disapprove the collection of information by September 21, 2007.
5. The Commission has consulted with interested parties to minimize the burden of the collection of information. The Commission is not aware of any interested agencies.
6. The Commission requests that OMB waive the notice requirement set forth in 5 CFR 1320.5(a)(1)(iv).

R. Corey Booth
Chief Information Officer