PIONEER Investments®

November 5, 2010

Ms. Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: *Mutual Fund Distribution Fees; Confirmations* (File Reference No. S7-15-10)

Dear Ms. Murphy:

Pioneer Investment Management, Inc. ("Pioneer") appreciates the opportunity to comment on the Securities and Exchange Commission's ("Commission") proposed new rule and rule amendments that would replace Rule 12b-1 under the Investment Company Act of 1940.[1] We appreciate the Commission's concerns regarding limiting sales charges that an investor may be charged over time with respect to a single investment. Although we commend the Commission's attempt to address these concerns, we have a number of comments and recommendations relating to the proposals set forth in the Release. As discussed more fully below, our primary concerns relate to the overall timing of the proposal, as well as the marketing and service fee, reference loads, automated class conversions, and confirmation statement disclosures proposed in the Release.

Timing of the Proposal

Pioneer recognizes the Commission's legitimate concerns with Rule 12b-1, such as promoting investor understanding of fees and eliminating outdated requirements. However, the new rule and rule amendments come at a time when the Commission is studying the effectiveness of existing legal or regulatory standards of care for broker-dealers, investment advisers, and persons associated with them when providing personalized investment advice about securities to retail investors. We believe it is necessary to resolve the debate regarding the effectiveness of standards of care, as well as the appropriate regulatory structure for investment advisers and broker-dealers, before attempting to address the issues associated with Rule 12b-1. Determining the regulatory requirements of advisers and broker-dealers should precede amending or rescinding Rule 12b-1 since elements of systemic reform may inform, or may obviate the need for,

[1] SEC Release Nos. 33-9128; 34-62544; IC-29367 (July 21, 2010) (the "Release").

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aspects of Rule 12b-1 reform. It would be inadvisable to replace the existing structure only to have to reassess new Rule 12b-1 reform measures in the near future.

The proposed rule amendments also raise timing concerns as they relate to confirmation statement disclosures. The Release states that the Commission staff is considering recommendations for future consideration to enhance the information provided at the point of sale.[2] Given this statement, as well as the fact that we believe that certain proposed disclosures would be more appropriate in a point of sale disclosure document, we respectfully submit that it is premature to propose rule amendments to confirmation statement disclosures.

Marketing and Service Fee

Proposed new Rule 12b-2(b) would permit funds to deduct a "marketing and service fee" from fund assets. Specifically, this marketing and service fee would be capped with reference to FINRA's limit on "service fees" in NASD Conduct Rule 2830. (That limit is currently 0.25% annually.)

Pioneer appreciates the Commission's acknowledgment that funds bear ongoing distribution-related expenses that benefit the fund and its shareholders. However, we are concerned that funds and their investment advisers will be placed in the difficult position of defining what activities and expenses constitute "distribution activities" for purpose of Rule 12b-2. Therefore, we respectfully request that the Commission more clearly delineate the scope of Rule 12b-2 and clarify the categories of expenses that would qualify as "distribution activities" that can be paid from the "marketing and service fee." In addition, we respectfully recommend that the Commission clarify that non-distribution services are permitted to be paid out of fund assets as fund expenses (outside of Rule 12b-2) and that such clarification provide guidance as to what constitutes "service fees" and "non-distribution" activities.

Pioneer believes that the classification of expenses, for purposes of Rule 12b-2, is more than just nomenclature. As the Release recognizes, the 0.25% cap is below the aggregate fees that are currently paid by many funds to various intermediaries. Thus, different funds may be reporting the same expense, paid to the same intermediary, differently. That scenario would have certain unintended but tangible consequences. Expenses that can be characterized as falling within the Rule's "marketing and service fee," will benefit from the Rule's safe harbor protection. In contrast, non-distribution expenses would have greater exposure to challenge. In addition, the expense's characterization will impact how it is disclosed to, and possibly perceived by, investors. Indeed, the categorization of a specific expense as "marketing and distribution" (under Rule 12b-2) or as the catch-all

[2] Release at n. 222.

"other expenses" could serve to confuse investors. At a minimum, such differing classification would reduce transparency and an investor's ability to compare expenses between funds.

Therefore, we would welcome additional guidance and clarification from the Commission on the Rule 12b-2 marketing and service fee proposal.

Reference Loads

In the Release, the Commission seeks comment on the limit — referred to as the "reference load" — that would be used to cap distribution fees that exceed the 0.25% limit for marketing and service fees. We favor a uniform reference load akin to the current FINRA sales charge limit in order to avoid the operational complexity and investor confusion resulting from the multitude of sales charge and conversion schedules envisioned under the current proposal.

Under the proposed amendments to Rule 6c-10, to the extent a fund has distribution fees in excess of the annual amount of 0.25% permitted under Rule 12b-2, this excess amount would be characterized as an "ongoing sales charge" subject to sales charge limits under Rule 6c-10, including an automatic conversion requirement once the applicable limit has been reached. Specifically, the fund would have to limit the cumulative amount of ongoing sales charges to the amount of a reference load specific to that fund. The reference load would equal the amount of the highest front-end load that the investor would have paid had the investor invested in another class of shares of the same fund or, if the fund does not have such a class, the aggregate sales load cap imposed under the FINRA sales charge limit for a fund with an asset-based sales charge and service fee, currently 6.25%.

Pioneer finds the proposed "reference load" standard problematic. In general, we believe a standard focused solely on class-to-class economic equivalency (assuming that all investors continue to hold shares indefinitely) is artificial and unnecessarily rigid. Distribution-oriented fees and expenses in excess of 0.25% may be incurred by a fund for a variety of purposes that are not necessarily consistent with the circumstances of an investor's payment of a traditional front-end sales charge at the time of sale. Accordingly, the overall framework should not assume that distribution fees associated with different share classes wholly reflect sales charge alternatives elected by investors and their financial intermediaries at the time of sale, without regard to the purposes that the fees were designed to serve or the investor's goals or time horizon. In addition, under current market practices, certain classes may not be available through certain intermediaries. Indeed, certain platforms sponsored by financial intermediaries only may make available one class of a particular fund, in view of the services offered and the investors and investment goals the platform is designed to serve.

Setting the reference load in terms of the front-end sales charge of another class of the same fund will create considerable confusion. Commonly, a fund complex will have different front-end sales charges dependent on the asset class (e.g., equity or fixed income) represented by the fund's investment strategy. Thus, even within a complex, the current proposal will result in an array of sales charge and conversion schedules, only further complicated by an investor's ability to exchange from one fund to another within a complex. This structure will needlessly increase operational complexity and costs and impede an investor's ability to understand and track expenses borne over time, undermining the goal of expense transparency.

Moreover, having a default 6.25% reference load for funds that do not offer any class with a front-end sales charge generally would result in a significant competitive disparity, allowing funds that may lack intermediary and/or investor demand for a class with a front-end sales charge to assess higher distribution fees based on that arbitrary fact alone. This disparity would muddy the competitive landscape for otherwise comparable share classes.

Automated Class Conversions

The Release requests comment on the proposed automatic conversion feature with respect to classes deemed to have "ongoing sales charges." We believe this feature will impose substantial operational complexity and costs on industry participants and, ultimately, fund shareholders.

Under proposed amendments to Rule 6c-10, a fund would be able to satisfy the maximum sales charge limitation by providing that the shares automatically convert to another class without ongoing sales charges. As the Release indicates, the feasibility of this conversion requirement is premised largely on the capabilities of transfer agency systems used by funds to track the aging of share lots for Class B shares (which customarily convert to Class A shares after a set period), as well as those of intermediaries that have offered Class B shares. Frequently, fund shares are held through omnibus accounts maintained by financial intermediaries, such as broker-dealers and mutual fund retirement plan platforms, where the holdings of multiple shareholders or retirement plan participants are aggregated. Many of the systems utilized by these accounts have not been engaged in administering Class B shares and therefore lack the functionality to track share lots. Accordingly, we are concerned that the costs involved in adopting the proposed conversion standard across the industry would substantially increase the operating expenses of classes with ongoing sales charges.

Pioneer is particularly concerned about classes with distribution-related expenses in excess of 0.25% that are utilized by retirement plans. While we believe the ongoing

distribution-related and other services associated with these classes are warranted in view of the needs of this segment of the retirement plan market (i.e., small to mid-sized plans), our understanding is that the costs involved in adapting current systems or purchasing new systems with the necessary functionality would be substantial. We are concerned that the costs and complexity of the current proposal would impose a barrier to the further use of share classes with distribution-related fees that exceed 0.25% by this segment of the retirement plan market or would unduly increase plan recordkeeping costs, which ultimately are borne by investors.

Lastly, the proposal's treatment of reinvested dividends and distributions would further complicate the administration of share classes with distribution-related fees that exceed 0.25%. Under the proposal, if a share class is deemed to have an ongoing sales charge, shares representing reinvested dividends or distributions would have the same conversion period as the shares on which the dividend or distribution was declared. We believe that prevalent industry practice with respect to conversions of Class B shares is to convert shares representing reinvested dividends and distributions in proportion to other shares held in an account. This approach is easier to administer and more transparent to investors. Conversely, tracking shares representing reinvested dividends or distributions by share lot would be operationally complex and impede investor understanding of the extent to which these shares convert over time.

Confirmation Statement Disclosures

In connection with proposed new Rule 12b-2, the Commission is also proposing to require disclosure of additional information on transaction confirmations in connection with transactions involving securities issued by mutual funds. Under the proposed amendments, investor confirmation statements ("confirms") would be required to include the amount of any sales charge that the customer incurred at the time of purchase, in percentage and dollar terms, along with the net dollar amount invested and the amount of any applicable breakpoint or similar threshold used to calculate the sales charge. In addition, confirms would have to include, if applicable: the annual amount of any marketing and service fee; the annual amount of any ongoing sales charge; the aggregate amount of ongoing sales charges that may be incurred over time, expressed as a percentage of net asset value; and the maximum number of months or years that the customer will incur the ongoing sales charge. Confirms would also have to include a standardized statement that informs investors that there are additional asset-based fees and other expenses explained in the fund's prospectus.

Pioneer believes that confirms are not point of sale documents and that the proposed confirm disclosure is more appropriate for point of sale disclosure. Confirms are post sale documents intended to establish a record for investors to verify their transactions whereas point of sale disclosures provide information that should be considered before

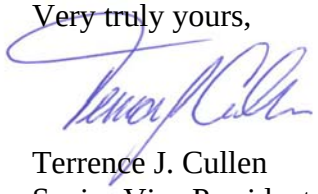
making an investment. Requiring confirms to provide forward looking information, such as ongoing sales charges, is not related to the clear purpose of recording and verifying transactions.

In addition, the confirm disclosure requirements as proposed in the Release create specific disclosure requirements exclusive to the sale of mutual funds. This is problematic because a mutual fund confirm would function as a point of sale disclosure, and point of sale disclosures must be product neutral to be useful.

Finally, much of the information required by the confirm disclosure requirements that is unrelated to the specific transaction, such as the level of a fund's ongoing sales charge and conversion schedule, is not readily available to broker-dealers. Requiring this information will be costly and difficult to implement operationally for broker-dealers. Moreover, Pioneer is concerned that the proposed changes to confirms may unnecessarily complicate the confirm to the extent that broker-dealers will be inclined to sell other products not subject to this increased level of disclosure.

Please contact the undersigned at (617) 422-4379 to discuss any questions you may have regarding our comments.

Very truly yours,



Terrence J. Cullen
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