VIA ELECTRONIC MAIL

November 5, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-15-10
Mutual Fund Distribution Fees; Confirmations

Dear Ms. Murphy:

The Securities and Exchange Commission (SEC or Commission) has requested public comment on its proposal to rescind Rule 12b-1 in its entirety and replace it with Proposed Rule 12b-2 and amend Rules 6c-10 and 10b-10 to enhance transparency and fairness in mutual fund fees to the benefit of investors.

Commonwealth Financial Network® (Commonwealth) is a broker/dealer and an SEC-registered investment adviser with home office locations in Waltham, Massachusetts, and San Diego, California. The firm has more than 1,600 registered representatives, at least 1,500 of whom are also investment adviser representatives, conducting business in all 50 states.

Commonwealth strongly supports the need for transparency in the mutual fund industry and the Commission's approach to using clearer terminology that investors can understand. The role of 12b-1 fees has changed since the adoption of the rule in 1980, in that 12b-1 fees are no longer used solely for marketing expenses. In many circumstances, 12b-1 fees compensate advisors for the ongoing investor services and incidental advice they provide smaller mutual fund investors who are not suitable for fee-based advisory accounts or who are unwilling to pay up-front sales charges.

Whether proposed Rule 12b-2 refers to the ongoing compensation as an "ongoing sales charge" or a "shareholder service fee," the continuing payments made by fund companies under the existing Rule 12b-1 compensation structure is a necessary and proper incentive for advisors to continue to work with smaller-net-worth investors. If the Commission caps the amount that fund companies can pay as an "ongoing sales charge," advisors will lose their incentive to work with small-net-worth clients, and these clients will lose access to ongoing guidance provided by financial professionals. Therefore, Commonwealth opposes the proposed limit on "ongoing sales charges" in proposed Rule 6c-10(b)(1).

The Commission's proposal to relieve mutual fund directors from the duty to review 12b-1 plans annually is logical in light of the proposed changes to the rules regarding mutual fund distribution fees. The Commission's proposal would also provide an exemption to Section 22(d) to allow broker/dealers to determine the sales charge on a new share class offered by fund

29 Sawyer Road
Waltham, MA 02453-3483
866.462.3638
781.736.0793 fax

110 West A Street, Suite 1800
San Diego, CA 92101-3706
866.462.3638
619.471.9701 fax

commonwealth.com

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companies at NAV. The affect this proposed change would have is unclear. The Commission should investigate the possible consequences of the proposed change before adopting such a rule.

Commonwealth supports the overall goals of the Commission to improve transparency and investor protections, but we urge the Commission to carefully consider the effect of each of the following significant changes the Commission proposes:

I. Improved Transparency through Disclosure

"Sunlight is the best disinfectant," an often-quoted maxim by U.S. Supreme Court Justice Louis Brandeis, eloquently illustrates the most important and effective investor protection available: transparency. The Commission's paramount objective in its rulemaking with regard to Mutual Fund Distribution Fees and Confirmations should be clear and concise disclosure that explains all of the costs associated with mutual fund investing in simple terms that average clients can understand.

Commonwealth supports the use of the term "marketing and service fees" to describe the ongoing fees to pay for fund distribution costs. The term accurately expresses the nature of the fees so that investors can determine whether the fees are reasonable in light of the services provided. The current maximum of 0.25 percent of fund assets is appropriate and reasonable.

Commonwealth supports the introduction of the term and the concept of "ongoing sales charges." When investors purchase a mutual fund through an advisor outside of a managed account, they expect to pay a sales charge, whether it is an up-front sales charge, a back-end load, or an ongoing sales charge, for the ongoing incidental advice and services the investor receives from their advisor. This is a simple concept and, with adequate disclosure, one that average investors can understand.

Advisors should provide investors with a clear illustration of the fees, costs, and sales charges associated with investing in mutual funds so investors can compare the available funds and share classes. Investors should have the freedom to choose which funds and share classes are most appropriate for their individual goals and objectives.

The Commission also proposed amending Rule 10b-10 to require new disclosures in trade confirmations. This proposal may impose an unintended burden on broker/dealers and account custodians because it would require firms to restate the information that should have already been provided in the fund's prospectus at the point of sale. In addition, it would require broker/dealers to develop complicated accounting systems to track individual mutual fund share lots. This requirement would have little appreciable benefit, yet would create a tremendous burden on broker/dealers. Commonwealth suggests that the Commission instead adopt a requirement for confirmations to disclose the maximum possible percentage levied by a fund share class for "marketing and service fees" and "ongoing sales charges," referring the client to the Summary or Statutory prospectus for additional information.

II. The Proposed Limit on Ongoing Sales Charges

Commonwealth opposes the proposed changes to Rule 6c-10 that would restrict the cumulative ongoing sales charges to the highest front-end sales load an investor would have paid had the investor chosen another share class in the same fund, or 6.25 percent, the maximum load permitted under NASD Rule 2830 for no-load funds. Commonwealth appreciates and supports the Commission's goal to protect investors from excessive sales charges; however, rather than limit the ongoing sales charges that are the main incentive for advisors to service small accounts, the Commission should mandate full transparency and disclosure of the ongoing sales charges, as discussed above.

Investors deserve the option to choose the share class they deem most appropriate. Investing is not a "one-size-fits-all" proposition, and investors must consider many factors, such as account size, time horizon, tax considerations, impact of paying front-end vs. level or back-end sales charges, and the flexibility to move from one fund family to another, when determining the share class or account type that is most suitable.

High-net-worth investors have the luxury of engaging fee-based advisors with whom they can negotiate asset management fees. Alternatively, if high-net-worth investors prefer an up-front sales charge, they may be able to take advantage of lower sales charges through breakpoints. Small-net-worth investors must choose between paying commissions up front, which may take a large portion of their initial investment; back-end sales charges, which effectively lock investors into a fund company with long contingent deferred sales charge periods; or level-load or C-share classes that provide flexibility and allow investors to pay commissions over time.

Although no share class is appropriate for every client, C-shares (or level-load share classes) are suitable for many small investors. The main advantage for C-shares to small investors is that it gives their advisor an incentive to continue to service their account. If a small client purchases a front-end load share class, the advisor has no incentive to provide ongoing service to the account holder. The advisor is incentivized to make the next sale or deal with higher-net-worth clients who have the wherewithal to invest additional money.

C-shares also provide the flexibility to move from one fund family to another. With the exception of short-term trading fees, or a possible one-year contingent deferred sales charge, investors are free to liquidate a C-share in one fund family and purchase a C-share in another fund family without the up-front costs or long contingent deferred sales charge periods of other share classes. Investors may be willing to pay a premium for the freedom to move among fund families, and, provided that the ongoing sales charges are adequately disclosed, the Commission should allow investors to choose the share class they deem most appropriate for their needs and objectives.

Limiting the cumulative ongoing sales charges for C-share or level-load funds would only serve to decrease investor choice and the quantity and quality of services and continued availability of investment advice to small investors. The ongoing compensation provides an appropriate incentive for advisors to continue to service small accounts, and the C-share structure is often

less expensive than a fee-based advisory account. The fee structure also provides much needed flexibility, particularly in light of the mutual fund scandals that have taken place in the past 10 years.

III. Retail Price Competition

The Commission's proposed Rule 6c-10(c) would provide an exception to Section 22(d) of the Investment Company Act and allow broker/dealers to set their own commissions for mutual fund sales. This rule change may encourage retail price competition in theory, but in practice it could have the unintended consequence of fostering unfair competition. It is unclear whether the proposed Rule 6c-10(c) would inject a healthy dose of price competition into the mutual fund market or disadvantage small broker/dealers and fund families in favor of larger firms with greater economies of scale.

Commonwealth suggests that the Commission solicit further comment on proposed Rule 6c-10(c) to determine all of the foreseeable effects the rule would have on broker/dealers and mutual fund companies.

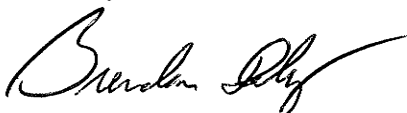
Conclusion

Commonwealth encourages the Commission to adopt rules mandating clear disclosures that promote transparency in the securities industry. The Commission should, however, stop short of restricting ongoing sales charges for the bona fide continuing service and support that main street investors desperately need. The existing compensation structures for the various mutual fund share classes ensure that investors have access to financial professionals, and they provide investors with the flexibility to choose the most appropriate sales charge arrangement for their particular goals and objectives. The lowest-cost option is not always the best option for investors. Financial advisors provide vital advice to clients on an ongoing basis as a result of the ongoing compensation they receive, and advisors will not likely continue to service nonprofitable accounts in the absence of such compensation. The unintended consequence would be that the investors who arguably need advice most would be left to fend for themselves.

Prior to adopting any limits on ongoing sales charges, we urge the Commission to consider the quantitative and qualitative factors discussed above, and we respectfully request that the Commission reconsider proposed Rule 6c-10(b)(1).

If you have questions regarding our comments or concerns, please contact me at 781.736.0700.

Sincerely,



Commonwealth Financial Network
By: Brendan Daly
Legal and Compliance Counsel