RAYMOND JAMES®

November 5, 2010

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

Re: Mutual Fund Distribution Fees; Confirmations
Release Nos. 33-9128; 34-62544; IC-29367; File No. S7-15-10

Dear Secretary Murphy:

Raymond James Financial, Inc. ("RJF")[1] welcomes the opportunity to provide comments to the Securities and Exchange Commission (the "Commission") on recently proposed rule changes regarding mutual fund distribution fees and confirmations ("Proposal").[2]

I. General Comments

RJF subsidiaries, as members of the Securities Industry Financial Markets Association ("SIFMA") and the Investment Company Institute ("ICI"), adopt the comments set forth in their letters. Similarly, we applaud the Commission's efforts to provide clarity and transparency with respect to the fees investors are paying when they purchase shares in a mutual fund. While we believe competition in the mutual fund market and investor choice with regard to paying for advice is important, we are concerned that certain aspects of the proposal may actually hinder these goals.

[1]Raymond James Financial (NYSE-RJF) is a Florida-based diversified holding company providing financial services to individuals, corporations and municipalities through its subsidiary companies. Its three wholly owned broker/dealers (Raymond James & Associates, Raymond James Financial Services and Raymond James Ltd.) and Raymond James Investment Services Limited, a majority-owned independent contractor subsidiary in the United Kingdom, have a total of more than 5,300 financial advisors serving approximately 1.9 million accounts in more than 2,300 locations throughout the United States, Canada and overseas. In addition, total client assets are approximately $249 billion, of which $30 billion are managed by the firm's asset management subsidiaries.
[2]Mutual Fund Distribution Fees; Confirmations, Securities Act Release No. 33-9128; Exchange Act Release No. 34-62544; Investment Company Act Release No. 29367 (Jul. 21, 2010); 75 FR 47064 (Aug. 4, 2010).

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In this letter, we will focus on the three issues that are most significant to RJF. First, we believe action on this proposal is premature in light of the Commission's potential action to establish a fiduciary standard for broker/dealers that will encompass the sale of mutual fund shares.[3] Second, we do not believe the account level service charge proposed under Rule 6c-10(c) will ultimately benefit investor choice or competition among intermediaries. Third, we believe, based upon the Commission's own findings, that requiring intermediaries and fund sponsors to incur costs well beyond those that have been estimated to implement many of the changes contemplated by this proposal, which ultimately the underlying investors will be bearing, are for naught.

II. Coordination with Fiduciary Standard

The SEC has just begun a major study on the existing legal and regulatory standards of care for broker/dealers, investment advisers, and their respective associated persons.[4] It would certainly appear more logical to first determine the regulatory requirements applied to advisers and brokers before adopting disclosures and compensation models. It is almost virtually assured that Rule 12b-1, if adopted, would need to be revised once the issues surrounding fiduciary standards are resolved.

There is no question that the Commission's fiduciary study will be critical in the adoption of changes to rules and regulations that impact both intermediaries and their dealings with investor clients. The Commission's release does not provide any guidance for how a financial adviser would meet his/her suitability or potential fiduciary obligation under these proposed changes. In light of this uncertainty, we believe the Commission should delay consideration of this proposal until such time as the Commission has reviewed the fiduciary study and determined how it wishes to proceed with those standards. In that manner, the Commission will then be able to fully assess the impact of this proposal. This is a much more thoughtful approach to effectively addressing the issues surrounding not only 12b-1 and confirm disclosure, but also point of sale disclosure. We are very concerned that acting in haste could result in an emphasis being placed on the cost of service versus the quality of service which would not necessarily be in the client's best interest.

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[3] Section 913 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires the Commission to conduct a study regarding the obligations of broker/dealers and investment advisers, including the applicable standard of care applicable ("Fiduciary Study").

[4] See Study Regarding Obligations of Brokers, Dealers, and Investment Advisers, SEC Release Nos. 34-62577 and IA-3058 (July 27, 2010), available on the SEC's website at http://sec.gov/rules/other/2010/34-62577.pdf (the "IA-BD Study). In response to a request for comments on the IA-BD Study, the SEC received over 3,000 comment letters.

III. Proposed Rule 6c-10(c)

The Commission is proposing to elect to offer funds at net asset value ("NAV") to dealers who would then impose their own account level-sales charges based upon proprietary pricing schedules and individual customer negotiations. We are concerned that this proposal is a solution in search of a problem. Unlike other aspects of the proposal which have been thoroughly reviewed and discussed for several years, the Commission's presumptions of the potential results of proposed Rule 6c-10(c) have neither been tested nor subject to industry scrutiny. Introducing such a fundamental change to a long established and effective mutual fund pricing structure will only result in uncertainty and disruption that could adversely impact investors versus benefiting them as contemplated. Thus, similar to the proposal's potential conflicts with any established fiduciary duty standard, this portion of the proposal should also be tabled for further study.

Contrary to the proposed Investment Company Act Rule 6c-10(c), the introduction of account-level sales loads will not necessarily increase competition amongst mutual funds and broker/dealers or increase investor choice in their selection of funds or fee options. There already exists a very competitive market between fund intermediaries. There also already exists numerous low-cost no-load funds from distributors. Additionally, investors who choose to take advantage of professional advice may do so with a wide range of fee arrangements from paying up front, to spreading the load, to contingent deferred sales charge, or other combinations of various fee arrangements. By the same token, there is a host of platforms under which investors may choose to buy funds from a broker/dealer and may also select to use a financial planner or purchase their funds through a fund supermarket. The potential low-cost low-service model that this proposal would generate could be perceived as preferable over current load funds and potentially subject financial advisers to conflicting obligations depending upon what type of fiduciary standard is adopted in connection with their offering products to their clients.

There are already in place numerous pricing methodologies for clients to select from and adding another will only result in further confusion and discord amongst investors. Further, this could actually result in anti-competitive behavior. Intermediaries may decide to offer this model and not others that already exist, including the traditional Class A, B or C shares, to avoid any potential for conflict of interest when recommending alternatives for clients, especially if a fiduciary standard is adopted for financial advisers. Until such time as the Commission's fiduciary study and any proposed rules or regulations are implemented, it is unknown whether intermediaries will be willing to even offer the proposed account level sales charges nor will the Commission be able to determine or provide guidance on how the suitability and fiduciary obligations will operate under the current fee structure, much less adding this additional fee structure as proposed.

While the Commission believes this proposal could result in lower cost to investors that may not necessarily be the result. The costs to implement the changes related to this proposed rule would be significant and will undoubtedly be borne by the investor. Further, even with the new systems, intermediaries and fund companies will still have legacy positions that were sold under the traditional class structures and they will thus need to maintain, at a minimum, parallel if not two completely separate systems to deal with existing holdings. We highly recommend that the Commission further study the economic impact of this proposal to ensure that the costs involved truly justify any potential benefits to investors of this alternate fee structure.

IV. Economic Analysis

We believe the Commission has significantly underestimated the cost to intermediaries and fund companies to implement the changes contemplated under this proposal. Further, while the costs of implementation are considerable and quantifiable, there is a lack of empirical evidence of any true benefit to investors by these changes. Thus, further study of investors' needs and desires for further alternatives in an already broadly competitive marketplace should be performed prior to further action on this proposal. As previously noted, the costs to implement the proposals under Rule 6c-10(c), which require implementation of an entirely new pricing system, are no doubt, along with maintaining the current legacy systems, significant to intermediaries and fund companies. This proposal will also result in major changes to the distribution system for mutual funds. It is critical that the Commission ensure that the benefits of these transcending changes outweigh the costs of implementation.

Further, we believe that the Commission has significantly underestimated the cost to implement the decoupling of distribution and servicing fees from ongoing asset sales charges as set forth in proposed Rule 12b-2. The cost to intermediaries and fund companies to implement these changes are well beyond any costs incurred by the few Class C share investors that hold their shares beyond the point where class conversion would occur under the proposal. The Commission, by its own admission, notes that a "typical fund shareholder only holds fund shares for approximately 3 to 4 years," and this fact alone undermines the entire cost benefit analysis for the need to build out extensive systems to implement the share class conversion as proposed.

Similarly, the costs to implement the additional confirmation disclosures are monumental. Initially, much of the information that will be required to be disclosed is not even readily available to intermediaries, but will require fund sponsors to provide massive data transfer considering there are thousands of available funds to intermediaries in order that they can include the information in their confirmation disclosures. The volume of additional disclosures we believe in many cases will require a complete redesign of the confirmations, which undoubtedly will be a massive cost. Further, providing much of this information after the transaction has already occurred is unlikely to provide any benefit to individuals. We strongly encourage the Commission to reconsider and more appropriately focus these disclosures either in general terms to avoid the significant costs investors would bear for these disclosures, or more appropriately, consider incorporating these disclosures in a point of sale documentation which the Commission is already considering.

We appreciate the Commission's consideration of our comments and those of SIFMA and ICI. Should you have any questions or need any additional information, please do not hesitate to contact me at (727) 567-5180.

Sincerely yours,

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Senior Vice President
General Counsel

cc: The Honorable Mary L. Schapiro
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
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