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John Hancock FINANCIAL SERVICES

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Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Attention: Elizabeth Murphy, Secretary

Re: Comments to Proposals on Mutual Fund Distribution Fees
(File Number S7-15-10)

Dear Ms. Murphy:

On behalf of the various open-end registered investment companies managed by John Hancock Investment Management Services, LLC, John Hancock Advisers, LLC and their affiliates (the "John Hancock Funds" or the "Funds"), and on behalf of John Hancock Life Insurance Company (U.S.A.) and its affiliates (collectively, "John Hancock"), we are pleased to submit, comment on and make several recommendations with respect to recent proposals by the Securities and Exchange Commission (the "SEC") to amend the current regulatory framework applicable to mutual fund distribution fees (*Mutual Fund Distribution Fees; Confirmations*, Investment Company Act Release 29367, July 21, 2010 (the "Proposing Release")).[1]

The SEC has proposed rescinding Rule 12b-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), and adopting a new Rule 12b-2. As detailed in the Proposing Release, Rule 12b-2 would permit a mutual fund, including a fund that issues shares to insurers' separate accounts for variable insurance products, to impose a permanent annual "marketing and service fee" equal to 0.25% of the fund's assets. In addition, amendments to Rule 6c-10 under the 1940 Act would permit a fund to assess asset-based "ongoing sales charges" in excess of the 25 basis point marketing and service fee that, over time, would not exceed the highest front-end load imposed by any class of the fund, or, if no class of the fund imposes a front-end load, the maximum front-end load permitted under NASD Conduct Rule 2830(d)(2)(A).

1 John Hancock, through its insurance companies, comprises one of the largest life insurers in the United States. John Hancock offers a broad range of financial products and services, including mutual funds, variable annuities, variable life insurance and college savings.

The Proposing Release allows for a five-year "grandfathering" period permitting fund share classes existing on the compliance date of the rule adoptions and amendments (the "Compliance Date") to continue to assess Rule 12b-1 fees in accordance with currently existing rules.

In addition, the Proposing Release calls for the disclosure of front-end and deferred sales charges, as well as ongoing sales charges and marketing and service fees, in confirmations associated with transactions in mutual fund shares.

Our comments will address issues that are relevant for John Hancock's retail mutual funds, as well as for underlying funds in John Hancock's variable insurance products.

I. John Hancock Retail Mutual Funds

Proposed Rule 12b-2: Limiting the Marketing and Service Fee to 0.25%

Many John Hancock Funds offer Class A shares, which are intended primarily for retail investors, that impose a front-end sales load of 4.50% (for fixed-income Funds) or 5.00% (for equity Funds). We note that the Funds' maximum front-end loads are, in each case, lower than the current 6.25% maximum sales charge permitted under NASD Conduct Rule 2830 for funds with an asset-based sales charge and a service fee. No other share class of the Funds imposes a front-end sales load. In addition, Class A shares of certain Funds impose an annual Rule 12b-1 distribution and service fee of 0.30%.

Under the rule adoptions and amendments discussed in the Proposing Release (the "Proposed Rules"), Class A shares of the Funds could re-designate up to 0.25% of the current 0.30% Rule 12b-1 fee as a marketing and service fee, but would be required to discontinue assessing the remaining 0.05% on shares that have already been charged the maximum front-end load, i.e., Class A shares of a Fund could not impose any ongoing sales charges if a maximum 4.50% or 5.00% sales load has already been charged.

In many cases, as explained further below, Class A shares are sold on a load-waived or load-reduced basis, i.e., the average Class A front-end load actually imposed is significantly lower than the stated maximum rate. Consequently, we believe that adopting a 0.25% limit on marketing and service fees could result in a diminished level of services performed by financial intermediaries for Class A shareholders, which could further result in increased external fees to Class A shareholders imposed by those intermediaries.

Investors may purchase John Hancock Fund Class A shares on a load-waived or load-reduced basis in a number of ways, which include (but are not limited to):

- Sales load reductions for large purchases according to a breakpoint schedule that culminates in the complete elimination of the sales load for investments of $1 million or more (investments of $1 million or more are subject to a 1.00% deferred load on shares redeemed within one year of purchase);

- Letter of intention arrangements in which an investor agrees to invest a set dollar amount in Class A shares over a 13-month period in order to qualify for a sales load reduction breakpoint;

- Aggregation of Class A share holdings across multiple Funds to qualify for sales load reductions; and

- Complete waiver of the front-end sales load for certain categories of investor that have arrangements with the Funds' distributor, e.g., wrap-fee accounts, retirement plans, qualified benefit plans, IRA rollover account investors, and qualified tuition plan investors.

Each Class A prospectus includes a complete list of the available sales load reductions and waivers.

As a result of the various sales load reduction or waiver privileges, we estimate that the average front-end sales loads actually imposed on a sale of Class A shares of a John Hancock Fund are 0.88% for fixed-income Funds (as compared to the 4.50% maximum load) and 0.58% for equity Funds (as compared to the 5.00% maximum load). In light of this, John Hancock's ongoing 0.30% 12b-1 fee is important to adequately compensate the financial intermediaries that sell Class A shares and ensuring an appropriate level of ongoing service. In this regard, we note that, as of the date of this letter, the SEC has received a considerable number of comment letters on the Proposed Rules from financial advisers and other intermediaries expressing concern that the Proposed Rules would adversely affect the level of services that they can provide to their clients, if the ongoing compensation for servicing certain mutual fund shareholders is capped at 0.25%.

The "Reference Load" Used to Cap Ongoing Sales Charges

Under proposed amendments to Rule 6c-10, a fund could impose ongoing sales charges that would not exceed, over the life of the investment, the maximum front-end load of any class of shares of the fund, or, if no class of the fund imposes a front-end load, the 6.25% maximum permitted under NASD Conduct Rule 2830. We believe that this proposal would impose an unfair burden on the John Hancock Funds relative to other fund groups that impose higher front-end loads or no front-end loads. In order to ensure fair treatment of the John Hancock Funds relative to such other fund groups, we recommend that the proposed amendments to Rule 6c-10 be revised to set the NASD Conduct Rule maximum, currently 6.25%, as the maximum aggregate percentage applicable to a fund's ongoing sales charges, without regard to the maximum front-end sales charge actually imposed.

Five-Year Grandfathering Period

The Proposing Release provides for a five-year grandfathering period for classes and shares of a fund existing on the Compliance Date. During this period, Rule 12b-1 fees may continue to be charged on existing shares, in the same manner that they are currently charged, pursuant to the requirements of NASD Conduct Rule 2830. Sales of additional shares of these classes will not be permitted after the Compliance Date, however. After the five-year period, all grandfathered shares must convert to a class of shares that does not deduct an ongoing sales charge.

We believe that the five-year grandfathering provisions are both: (i) unfair in that they provide for the retroactive application of the Proposed Rule to existing share classes in a manner that prevents the full recoupment of commissions paid in connection with their sale; and (ii) discriminatory in that they favor some share classes over others. In our view, the grandfathered share classes should be permitted to continue to assess Rule 12b-1 fees pursuant to the requirements of NASD Rule 2830 without being subject to a five-year limit. This would provide for the orderly transition of existing fund distribution arrangements and honor the expectations of both shareholders and distributors of mutual funds with respect to shares purchased prior to the Compliance Date.

Distributors of mutual funds advanced commissions on sales of fund shares based on the expectation that they would be able to recoup these expenses through Rule 12b-1 fees. If a five-year grandfathering period is imposed, distributors will not recoup all of these expenses. For example, if a 5.00% commission is paid with respect to shares that are sold prior to the Compliance Date and that are subject to a Rule 12b-1 fee of 0.75%, recouping that commission will take 6.7 years (assuming that there is no increase in the NAV of the shares and that no interest is paid on the outstanding balance of the commission). If the Rule 12b-1 fee is 0.50%, the recoupment period will be ten years.

Application of the five-year grandfathering period is also inequitable since it will favor share classes with higher Rule 12b-1 fees over those with lower Rule 12b-1 fees since the classes with higher Rule 12b-1 fees will collect more 12b-1 fees over the 5 year period than those with lower Rule 12b-1 fees. In contrast, the limits of NASD Rule 2830 assures that once sales of a fund's class of shares are stopped, over time each class of shares would be assessed approximately the same amount distribution expenses (Rule 12b-1 fees and front-end and back-end sales charges).

In the Proposing Release, the SEC requested comment on a number of possible alternatives to the five-year grandfathering period. The SEC thus asked whether the grandfathering provision:

- should provide for a longer or shorter period than five years;
- should apply to some but not all 12b-1 share classes; and
- should permit the 12b-1 share classes to continue indefinitely?

These comment requests reflect the SEC's intent that the transition period for compliance with the Proposed Rule should fairly accommodate the varying interests of affected parties. We respectfully submit that this goal is best achieved by permitting Rule 12b-1 fees to continue to be paid on grandfathered shares pursuant to the requirements of NASD Rule 2830 and subject to the maximum limits on such fees provided by Rule 2830. The SEC noted in the Proposing Release that, because the fee cap under Rule 2830 is calculated on the basis of aggregate new sales of fund shares, it may never actually be reached as long as a fund continues to sell new shares. As of the Compliance Date, the indefinite continuation of Rule 12b-1 fees on grandfathered shares will no longer be a possibility because funds must cease offering such shares on that date. Rather, the continuation of Rule 12b-1 fees on grandfathered share classes until the respective Rule 2830 caps for such share classes are reached provides for the treatment of different share classes in a manner that is fair and that is consistent with and honors the expectations of both shareholders and distributors at the time shares were acquired and commissions were paid.

We believe that permitting grandfathered share classes to continue to assess Rule 12b-1 fees pursuant to Rule 2830 until the Rule 2830 cap is reached provides for a reasonable and equitable transition under the Proposed Rule. If the SEC should determine to maintain a fixed grandfathering period, however, we alternatively recommend that the five-year period be extended for a longer period (for example, seven to ten years) to help assure that distributors recoup their commission expenses for sales of shares purchased prior to the Compliance Date.

Finally, we request that the SEC clarify that, for grandfathered classes of shares, exchanges between shares of the same class of shares of different Funds are permitted.

Mutual Fund Trade Confirmations

In the Proposing Release the SEC proposes to amend Rule 10b-10 under the Securities Exchange Act of 1934 (the "Exchange Act") to add two new paragraphs, (a)(10) and (a)(11), and a definition of the term "mutual fund security" (collectively, the "Rule10b-10 Amendment"). These proposed changes would require a mutual fund transaction confirmation to include certain specific information regarding sales charges and fees. Proposed paragraph (a)(10) would require a purchase confirmation to include specific information regarding front-end and deferred sales charges, ongoing sales charges and marketing and service fees. Proposed paragraph (a)(11) would require a redemption confirmation to include specific information regarding any applicable deferred sales charges.

The stated purpose of these changes is to make a mutual fund confirmation "a more complete record" of the mutual fund transaction. The SEC acknowledges, however, that a customer does not receive the confirmation until after completion of the mutual fund transaction. The SEC has also acknowledged that "disclosure of cost information prior to the sale may be an additional step" to consider, and that it is considering recommendations for future consideration of information to enhance point of sale disclosure. In addition, the Proposing Release notes that the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 authorizes the SEC to develop disclosure rules to address this particular topic.

We would strongly urge the SEC to defer consideration of any amendments to Rule 10b-10's confirmation disclosure requirements for mutual fund transactions until it has first considered point-of-sale disclosure proposals. We believe that mutual fund shareholders use a confirmation statement as a way to ensure that the date, amount, and price for their mutual fund transaction are accurate and that the additional confirmation information proposed by the Rule 10b-10 Amendment, particularly with respect to ongoing sales charges or marketing and service fees, would be more appropriately addressed through point-of-sale disclosures at or prior to the purchase.

In addition, the systems used to generate mutual fund transaction confirmations are very complex and, therefore, expensive to change. We believe that the SEC should implement changes to the confirmation requirements only to the extent that such changes would provide a substantial benefit to mutual fund shareholders. In that regard, we believe that the SEC's proposed changes would unnecessarily require mutual funds to make changes to the process for the production of mutual fund confirmations that would serve only to significantly increase costs to shareholders, without any substantive benefit to shareholders.

In the Proposing Release, the SEC requested comment on whether the information proposed to be included in transaction confirmations was useful to investors. In response, we believe that adding information beyond that which is specifically related to the transaction covered by the confirmation statement is duplicative, unnecessary and provides the information too late to be of any use to a shareholder's decision making process. As noted above, in our experience mutual fund shareholders use a confirmation statement as a way to ensure that the date, amount, and price for their mutual fund transaction are accurate. We are unaware of any specific evidence that mutual fund shareholders use confirmations for disclosure about other matters beyond the specific transaction covered by the confirmation.

For all of the stated reasons above we would strongly urge the SEC to defer consideration of any amendments to Rule 10b-10's confirmation disclosure requirements for mutual fund transactions.

II. Underlying Funds in John Hancock's Variable Insurance Products

Transition Rules and Grandfathering Provisions for Underlying Funds with Existing 12b-1 Plans

The proposed rule and rule amendments would apply to funds that serve as investment vehicles for insurance company separate accounts that offer variable annuities or life insurance contracts ("underlying funds"). Owners of these contracts do not directly invest in shares of the underlying funds. Instead, John Hancock allocates purchase payments and accumulated contract values among various subaccounts of the Separate Accounts, each of which invests in a particular series of an underlying fund. Values in a sub-account are measured in "accumulation units" which reflect not only the change in net asset value of underlying fund shares, but also dividends paid on such shares since the prior day and separate account expenses accrued for the day. On a daily basis, John Hancock aggregates all orders received from owners of these contracts for the purchase of accumulation units, and aggregates all orders received from owners to redeem accumulation units as well as redemptions to pay for certain transaction fees or benefits due under the contracts. John Hancock provides the underlying fund with a net purchase or redemption order for shares on the next following day.

John Hancock supports the SEC's proposal to treat underlying funds the same as any other mutual fund so as to permit an underlying fund to charge a marketing and service fee up to the NASD sales charge rule limit on services fees. We also are concerned, however, with the proposal to deem asset-based distribution fees in excess of the marketing and service fee as an ongoing sales charge and subject it the requirements of the proposed amendments to Rule 6c-10. In particular, we are concerned with the proposal for a five year grandfathering period to allow underlying funds to convert contract holders who have invested in an existing Rule 12b-1 class of shares to another class of shares of the fund that does not deduct an ongoing sales charge.

John Hancock has a limited number of underlying funds that offer classes of shares with Rule 12b-1 fees in excess of 0.25%. The pricing and distribution arrangements for these underlying funds were based on the assumption that the Rule 12b-1 fees would continue to be paid as long as the related Rule 12b-1 plan benefited contract holders. John Hancock believes that the SEC's proposed five year grandfathering period would arbitrarily disrupt and harm these arrangements and that these share classes should be grandfathered permanently.

As an alternative to the five year grandfathering period proposed by the SEC for existing Rule 12b-1 classes of shares of underlying funds, John Hancock believes that an insurance company should be permitted a conversion period with the same duration limits as those proposed for underlying fund shares with an ongoing sales charge. To do this, an insurance company would agree with an underlying fund to attribute the purchase of such shares with a Rule 12b-1 fee in excess of 0.25% to an "attribution date" that begins at the end of the transition period. Pursuant to its agreement with an underlying fund, the insurer would replace these shares with other shares without an ongoing sales charge before the charges imposed on and after the attribution date reached the reference load required by proposed Rule 6c-10.

This methodology would address an industry-wide problem, as recognized by the SEC, "that insurance company separate accounts may not currently track and age shares because they generally do not offer underlying funds with contingent deferred sales charges." John Hancock acknowledges that it does not offer underlying funds with contingent deferred sales charges and does not track and age shares.

<u>Ongoing Sales Charges for Underlying Funds under Proposed Rules</u>

In similar fashion, John Hancock believes that the proposal should be revised to permit an insurance company to invest in underlying funds with load share classes (i.e., share classes with ongoing sales charges) for newly-issued contracts without requiring the insurer to track individual shares. To do this, an insurance company, through written agreement with a fund, would "age" the purchase of load shares, on a contract by contract basis, by reference to an attribution date based on the later of: (a) the date of issue of a particular variable insurance contract; and (b) the date the investment option corresponding to such shares was first made available to a contract owner. Load shares acquired subsequent to the attribution date would have the same age as load shares acquired as of the attribution date. The insurance company would replace load shares of the underlying fund with no-load shares before the sales charges on the load shares reached the reference load.

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We appreciate the SEC staff's consideration of our concerns and recommendations regarding the SEC's distribution fee and trade confirmation proposals. If you or any member of the SEC staff would like to discuss our comments, please do not hesitate to contact Thomas Kinzler, Vice President and Counsel, John Hancock Financial Services, at (617) 663-2999.

Very truly yours,

Hugh McHaffie
President