AllianceBernstein

Elizabeth Murphy, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC

Via E-Mail

Re: File Number S7-15-10

Dear Ms. Murphy:

I am responding, on behalf of the AllianceBernstein Mutual Funds (the "Funds"), to the request for comments by the Securities and Exchange Commission ("SEC") on its proposed repeal of Rule 12b-1 under the Investment Company Act 1940 (the "1940 Act") and proposed new rule and rule amendments regarding mutual fund distribution fees and confirmations .[1]

There are over 100 Funds in the AllianceBernstein Mutual Fund Complex. The Funds offer and sell their shares primarily through brokers and financial intermediaries. The Funds offer multiple classes of shares that are designed for different distribution channels.

Fund distribution arrangements have evolved over the years to provide investment alternatives to investors and to accommodate changes in the financial industry, such as the growth in retirement plans. Fund distribution arrangements are generally standardized, accepted by investors, and used industry-wide by funds sold through financial intermediaries. The distribution framework provides alternatives to investors and appropriate compensation to financial intermediaries. This compensation is now subject to certain limits imposed by the Financial Industry Regulatory Agency, Inc. ("FINRA").

We support the SEC's goals of fairness to investors and transparency of sales charges. We also believe that periodic reviews of regulatory requirements for mutual funds are useful and beneficial because, among other things, they enable the updating and modernizing of these requirements. We are concerned, however, that the SEC's proposals will limit the choice of share classes available to mutual fund investors and reduce the Funds' ability to respond to investor needs. We also recommend that the SEC carefully consider the costs of the proposals.

I. Discussion

A. Effect of Proposal on Current Fund Share Class Arrangements

The SEC's proposals, if adopted, would require the Funds to modify their current share class offerings. The Funds would need to incorporate these changes in their prospectuses, statements of additional information and shareholder reports. They would

[1] Investment Company Act Release No. 29537 (July 21, 2010)[75 FR 47064 (Aug. 4, 2010) (the "Proposing Release")]

also be required to revise marketing materials, the plans required by the SEC's multiple class rule (Rule 18f-3), and over 100 dealer agreements. Other administrative actions would also be necessary, including modifying operating, accounting and compliance monitoring systems. This large number of tasks would result in significant personnel, legal, accounting and other costs. While we support the SEC's goals, we believe that the SEC should conduct a thorough analysis of the costs of the Proposals.

B. Marketing and Service Fee

The SEC has proposed to rescind Rule 12b-1 and adopt a new rule 12b-2 that would permit funds to charge a marketing and service fee in an amount equal to the permitted "service fees" under FINRA rules, which is currently 0.25%. In the Proposing Release, the SEC stated that the marketing and service fee could be used for any distribution related expenses, including fees related to participation in fund supermarket platforms, the payment of trail commissions to broker-dealers for ongoing services provided to fund shareholders, payments to plan administrators for services they provide to shareholders (which relieve funds from providing such services), payments for the operation of call centers, as well as other traditional distribution or marketing related activities such as compensation of underwriters, advertising, printing and mailing of prospectuses to other than current shareholders. We believe the 0.25% limit for these ongoing expenses may be too low.

Mutual funds typically use a combination of service fees and Rule 12b-1 fees to provide compensation for these services. The SEC suggests in the Proposing Release that a fund could recharacterize certain of the expenses as administrative expenses in order to keep their marketing and service fees within the proposed 0.25% limit. This may not be practicable since fund intermediaries do not generally allocate their compensation into separate services and it may not be cost-effective for them to do so.

It must be recognized that these distribution related expenses are costs related to providing services to fund investors and shareholders, which benefit these investors and shareholders generally. If these costs are not reimbursed through asset-based fees, they will have to be reimbursed from other, possibly less-efficient, sources, such as being included, if appropriate, in other expenses of a fund or charged directly to shareholders. We suggest that the SEC consider more flexibility in the amounts of asset-based fees that funds can use to pay continuing compensation to financial intermediaries for distribution-related expenses.

C. Ongoing Sales Charges

The basic premise underlying the SEC's proposals is that, other than a minimal asset-based marketing and service fee, all ongoing asset-based sales charges ("ABSCs") for any class of shares should be, when combined with other sales charges such as a CDSC, the same amount as front-end sales charges. The SEC proposed to amend Rule 6c-10 to permit a fund to offer one or more classes of shares with an ABSC and other sales charges that cumulatively would not exceed the highest maximum sales load on another class of the fund's shares. After the maximum is reached, the new share class would be required to convert to a share class without an ABSC.

We support proposed Rule 6c-10 because it provides additional flexibility to funds to address the needs of investors. The SEC's proposal would establish a maximum sales load or "reference load" that is equal to the highest front-end sales load charged on another class of shares that does not have an ongoing sales charge. If a fund does not have a front-end sales load class, the reference load would be the maximum allowed under FINRA rules or

6.25%. We believe that the reference load should be standardized and recommend that it be the maximum allowed under FINRA rules for all funds. An investor may have difficulty analyzing potential purchases, and monitoring a portfolio, of mutual funds, with varying ongoing sales charges and conversion periods. A uniform reference load would serve to reduce investor confusion and provide transparency among mutual fund offerings. In addition, front-end sales loads in recent years have tended to decrease and it is possible that the Rule 6c-10 maximum, as proposed, could cause mutual funds to increase their front-end sales charges in order to have longer conversion schedules to provide ongoing compensation to financial intermediaries. A standardized reference load would avoid this potential result.

D. Retirement Plan Shares

Reflecting the growth in retirement plan assets, particularly 401(k) plans, many mutual funds, including the Funds, offer classes of shares designed for these types of investments. Asset-based fees for these classes are not the same as sales charges. These fees serve, among other things, to provide compensation to brokers and advisers to these plans, which provide, among other things, marketing, enrollment and educational services to these plans. The fees are ongoing and are intended to accommodate the long-term time frames of investments in these plans. One class of these types of shares, Class R shares, typically has ABSC's of 0.50% or more. Class R shares are designed for smaller retirement plans that may need more advice and services than larger retirement plans. Under the SEC's proposal, mutual funds would no longer be able to offer the Class R shares as currently structured.

The SEC states in the Proposing Release that a "small" number of funds offer Class R shares. In fact, our recent review indicates that at least the largest 10 mutual fund complexes that are sold through financial intermediaries offer Class R shares. It is true, as noted by the SEC, that Class R shares represent a relatively small amount of plan assets, but this reflects the smaller asset size of these plans and the relatively recent creation of Class R shares by mutual funds. This should not diminish the significance of Class R shares. They enable smaller employers to offer 401(k) and similar retirement plans and encourage retirement savings. We expect continued growth in plan assets that invest in Class R shares.

The SEC's proposed ongoing sales charge alternative is, as the SEC admits in the Proposing Release, not a viable option for Class R shares. A fund could modify its Class R structure to have an ABSC with a longer conversion period. But regardless of the length of the automatic conversion period, the income stream for intermediaries would be reduced to 0.25% after some period of time. This would create a shortfall in compensation for ongoing education and other services rendered to continuing, but also changing, groups of plan participants. Currently, plans that invest in Class R shares do not track and age the shares held in the plans. As a result, these plans would, under the SEC's proposal, need to modify their recordkeeping systems, which would involve significant expense for these smaller plans. The recordkeeping would also be very complex because investments in these plans are periodic and continue for many years.

Due to the difficulties in offering Class R shares under the SEC's proposed sales charge equivalent approach, this Class of shares will in all likelihood no longer be available for small retirement plans. We suggest that the SEC consider the potential adverse effects of its proposals on these smaller retirement plans and provide more flexibility for structuring appropriate fees for retirement plans.

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E. Transparency

We support improvements in the transparency of sales loads and ABSCs. The SEC's proposal to amend the fee table disclosure would improve investor understanding by referring to ongoing sales charges and marketing and service fees rather than the current more technical requirements to refer to Rule 12b-1 fees. The SEC requested comments on whether additional information should be included in the fee table. We believe that the fee table should not include additional information. It is important that the fee table presentation be simple and straightforward, reflecting material categories of fees and expenses. More detailed information is available in a fund's financial statements.

II. Conclusion

As we have addressed in this letter, we have questions about whether the SEC's proposed approach will limit the alternative distribution channels that have developed over the years and that have, we believe, served various groups of similarly-situated investors and fund shareholders well. We also have concerns about the costs of implementing the proposals. We appreciate the SEC's consideration of our comments.

Sincerely,

Robert M. Keith, Jr.
Executive Managing Director
Co-Head of Institutional and Retail Distribution