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December 9, 2016

Douglas J. Scheidt, Esq.
Associate Director and Chief Counsel
Division of Investment Management
U.S. Securities and Exchange Commission
100 F Street, N.E., Mail Stop 05-04
Washington, D.C. 20549

Re: Foreign Currency Agency Transactions under Section 17(e) of the Investment Company Act of 1940

Dear Mr. Scheidt:

We are writing on behalf of our clients Russell Investment Management, LLC ("RIM"), Russell Investments Implementation Services, LLC ("RIIS"), Russell Investment Company and Russell Investment Funds[1] to request the confirmation of the staff of the Division of Investment Management (the "Staff") of the U.S. Securities and Exchange Commission (the "Commission") that the Staff would not recommend enforcement action to the Commission under Section 17(e) of the Investment Company Act of 1940, as amended (the "1940 Act"), if certain registered open-end management investment companies (as defined below, the "Funds") utilize a broker that is an "affiliated person" under Section 2(a)(3) of the 1940 Act, of the Funds' investment adviser, and thereby is an "affiliated person of an affiliated person" of each Fund, to effect foreign currency transactions as agent for the Funds and, for effecting such transactions, receives remuneration within the parameters of Section 17(e)(2) of the 1940 Act.

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1 Both Russell Investment Company and Russell Investment Funds (together, the "Trusts") are organized as Massachusetts business trusts and operate as registered open-end investment companies.

I. BACKGROUND

RIM serves as investment adviser to the series of the Trusts (each series, a "Fund")[2]. Assets of most of the Funds are largely managed by one or more unaffiliated sub-advisers pursuant to a manager-of-managers exemptive order.[3] RIIS is dually-registered as an investment adviser and broker-dealer and is an "affiliated person" of RIM, as that term is defined in Section 2(a)(3) of the 1940 Act. As a result, RIIS is an affiliated person of an affiliated person of the Funds.

In an effort to reduce currency trading costs incurred by the Funds, RIM has centralized a portion of the currency trading activity of the Funds with RIIS. RIIS executes the foreign exchange transactions ("FX Transactions") on an agency basis for the Funds, as well as a number of unaffiliated clients. RIM believes that it is in the best interest of the Funds and their shareholders to use RIIS as agent for the Funds for their FX Transactions rather than to have each sub-adviser execute FX Transactions on behalf of the Funds individually.[4] RIM believes that utilizing the services of RIIS results in better execution outcomes through improved coordination of currency trade flows, the pricing leverage that flows from increased deal volume, and the use of a large panel of competing bank counterparties and trading platforms.

As discussed below, RIIS believes that the current regulatory framework, including the relief granted in the no-action letter issued to Drinker, Biddle & Reath LLP (the "Drinker Letter"),[5] which addressed the payment of commissions to affiliated FX agents, does not

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2 RIM and RIIS are indirect, wholly-owned subsidiaries of Russell Investments Group, Ltd. (Cayman Islands), a Cayman company through which the limited partners of certain private equity funds affiliated with TA Associates Management, L.P. indirectly hold a majority ownership interest and the limited partners of certain private equity funds affiliated with Reverence Capital Partners, L.P. indirectly hold a significant minority ownership interest in RIM, RIIS and their affiliates.

3 *See* In the Matter of Frank Russell Investment Company, et al., Investment Company Act Release No. 30556 (June 12, 2013).

4 RIM does not require sub-advisers to utilize RIIS for the Funds' FX Transactions. Some sub-advisers continue to handle FX Transactions for the portions of the Funds' assets that they manage.

5 Drinker Biddle & Reath LLP, SEC Staff No-Action Letter (pub. avail. Dec. 18, 1998).

adequately address the practicalities of the agency approach with respect to FX Transactions. As a result, RIIS does not currently receive any remuneration for effecting FX Transactions on behalf of the Funds. We seek the guidance requested herein with respect to future FX Transactions effected by RIIS as agent for the Trusts for which RIIS may receive remuneration within the parameters of Section 17(e)(2) of the 1940 Act, as described below. We do not seek relief with respect to previous FX Transactions effected by RIIS.

II. REGULATORY FRAMEWORK

Section 17(e)(1) of the 1940 Act makes it unlawful for an affiliated person of a registered investment company (a "RIC"), or an affiliated person of such person, acting as agent, to accept from any source any compensation (other than a regular salary or wages from such registered company) for the purchase or sale of any property to or for such company or any controlled company thereof, except in the course of such person's business as an underwriter or broker. In addition, Section 17(e)(2) sets forth a specific statutory limitation on the remuneration a broker can receive when effecting securities transactions for a RIC. That subsection provides in relevant part that it is unlawful for an affiliated person of a RIC, or an affiliated person of such person:

> acting as broker, in connection with the sale of *securities* to or by such registered company or any controlled company thereof, to receive from any source a commission, fee, or other remuneration for effecting such transaction which exceeds (A) the usual and customary broker commission if the sale is effected on a securities exchange, or (B) two per centum of the sales price if the sale is effected in connection with a secondary distribution of such securities, or (C) one per centum of the purchase or sale price of such securities if the sale is otherwise effected unless the Commission shall, by rules and regulations or order in the public interest and consistent with the protection of investors, permit a larger commission (emphasis added).

To provide guidance to the industry regarding what constitutes a "usual and customary broker's commission," the Commission promulgated Rule 17e-1 under the 1940 Act. The Rule states that, for purposes of subsection (A) of Section 17(e)(2), a broker's commission, fee or other remuneration shall be deemed as not exceeding the usual and customary broker's commission, if:

> the commission, fee, or other remuneration received or to be received is reasonable and fair compared to the commission, fee or other remuneration received by other brokers in connection with comparable transactions involving similar *securities* being

> purchased or sold on a securities exchange during a comparable period of time (emphasis added).

Historically, a person affiliated with a RIC that engaged in trading futures contracts or effecting FX Transactions for the RIC could not rely on Section 17(e)(2) and Rule 17e-1 because those transactions were not considered to involve "securities" as that term is defined in Section 2(a)(36) of the 1940 Act. In fact, the definition of "security" in Section 2(a)(36) does not mention "currency" or "currency contracts." In *Fidelity Management & Research Company*,[6] it was assumed, for purposes of applying Rule 17a-7 under the 1940 Act, that currency itself was not a "security" as defined in the 1940 Act. In *Davidson & Associates, P.C.*,[7] the Staff stated that a "forward contract on a foreign currency may be a security under Section 2(a)(36) of the 1940 Act." Because neither futures contracts nor currencies met the definition of "securities" under the 1940 Act, affiliated entities that trade in these instruments would not meet the definition of "broker" in Section 2(a)(6) of the 1940 Act, which limits the term to "securities" brokers.

The industry initially addressed these issues with the Staff by requesting no-action assurance for affiliated futures commission merchants ("FCMs"). The request letters argued that the use of futures contracts by RICs was not contemplated when the 1940 Act was enacted and that an affiliated entity could, consistent with the overall purposes of the 1940 Act and the specific intent of Section 17(e), serve as an FCM to an affiliated RIC under certain conditions. The Staff provided no-action assurance with respect to the execution by FCMs of affiliated RICs' transactions in futures contracts and related options, so long as the activities of the affiliated FCM were conducted in compliance with Section 17(e) and Rule 17e-1.[8] The focus of the FCM Letters, which echoes the purposes of Section 17(e), is to ensure the reasonableness and fairness of commission rates for transactions in futures contracts and related options. Under the FCM Letters, therefore, an affiliated FCM would be permitted to act as an FCM for an affiliated RIC only if the commission, fee or other remuneration received or to be received by the affiliated FCM would be reasonable and fair compared to the commission, fee or other remuneration

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6 Fidelity Management & Research Company, SEC Staff No-Action Letter (pub. avail. June 13, 1988).

7 Davidson & Associates, P.C., SEC Staff No Action Letter (pub. avail. May 7, 1992).

8 *See* Kidder Peabody Govt. Income Fund, SEC Staff No-Action Letter (pub. avail. Sept. 15, 1986); Drexel Burnham Lambert, Inc, SEC Staff No-Action Letter (pub. avail. July 28, 1986); Shearson Lehman Brothers, Inc., SEC Staff No-Action Letter (pub. avail. Feb. 18, 1986); and Prudential-Bache Govt. Plus Fund, Inc. (pub. avail. Sept. 3, 1985) (collectively, the "FCM Letters").

received by other FCMs in connection with comparable transactions involving similar futures contracts or options on futures contracts being purchased or sold on a commodities exchange during a comparable period of time.

The Staff later took a similar position with respect to affiliated brokers involved in FX Transactions in the Drinker Letter. In the Drinker Letter, the Staff stated that it would not be inconsistent with the intent of Section 17(e) if a broker received a commission for effecting FX Transactions for an affiliated RIC, provided that: (i) all transactions would be conducted in accordance with the fund's Section 17(e) procedures, which would satisfy the requirements of Rule 17e-1; and (ii) the affiliated broker's commission would not exceed 0.03% of the notional amount of the particular currency transaction involved.

In providing the no-action assurance in the Drinker Letter, the Staff highlighted a number of specific requirements in the funds' Section 17(e) procedures. The Staff noted that under the funds' Section 17(e) procedures, the trustees would be responsible for ensuring that the affiliated broker's commissions were reasonable and fair as compared to commissions received by other brokers in connection with comparable transactions involving similar currencies being purchased or sold during a comparable period of time. The Staff also noted that in making this determination, the advisers would compare the affiliated broker's commission to those of (i) other currency brokers that charge commissions for transactions on the foreign exchange market, and (ii) FCMs who execute foreign currency futures contracts and options trades on commodities exchanges.

In the Drinker Letter, the fund's Section 17(e) procedures also included additional safeguards not contained in the provisions of Section 17(e). Unlike the FCM Letters, which dealt solely with commission levels, the Staff noted in the Drinker Letter that the funds' Section 17(e) procedures included provisions that were designed to ensure that the funds' investment advisers met their obligations to seek best execution for transactions effected on behalf of the funds. The Staff noted that the funds' investment advisers would be prohibited from using an affiliated broker in instances where doing so would be inconsistent with the adviser's obligations to seek best execution, that is, where a fund could deal directly with a foreign exchange participant on better terms than the fund could obtain by executing transactions through the affiliated broker. As a result, the funds' Section 17(e) procedures would allow the funds to consider using an affiliated broker only when the price obtained for a foreign currency transaction, plus the affiliated broker's commission, would be at least as favorable as the price contemporaneously quoted by an independent source previously selected by the fund's board.

Finally, the Staff also noted that under the Section 17(e) procedures, reports showing that these requirements have been met would be presented to a fund's board, including its independent members, no less frequently than quarterly and that the procedures would provide for annual board review of an affiliated broker's overall performance as broker. In such quarterly reports the affiliated broker would show for each transaction: (i) the date and time a currency trade was

placed with the affiliated broker; (ii) the identity and amount of the currency involved and the settlement date; (iii) the price of the traded currencies; (iv) the amount of the affiliated broker's commission (which the affiliated broker would represent, in each instance, was no greater than its normal customer commission); (v) the commissions charged by other unaffiliated firms in connection with comparable transactions involving similar currencies being purchased and sold during a comparable period of time; and (vi) the price obtained contemporaneously to verify the competitiveness of the price obtained by the affiliated broker.

III. CONCERNS PRESENTED BY THE DRINKER LETTER

RIIS believes that the representations in the Drinker Letter do not reflect the present operation of the foreign exchange markets, most notably with respect to the principal (rather than agency) nature of the currency market, the availability of relevant market data, and price and commission transparency.

Because of the limited number of agent-participants in the foreign exchange market, and the complex and opaque dealer compensation components of FX Transactions, RIIS believes that the Drinker Letter's requirement that the affiliated broker's commission levels be compared to the commission levels of other currency brokers is unworkable. Moreover, under the Drinker Letter, RIIS would need to demonstrate that the "all-in" cost of each currency transaction effected through RIIS is preferable to a price contemporaneously quoted by an independent source selected by the Funds' Board. As discussed below, this comparison would be difficult, if not impossible, to make given the nature of the currency market. For the reasons discussed below, RIIS believes that without the requested guidance, RIIS would not be able to engage in FX Transactions on an agency basis for the Funds and receive compensation for that trading.

IV. THE FOREIGN EXCHANGE MARKET

A. Current State of the Foreign Exchange Market

There is no single market for FX Transactions. Instead, the spot foreign exchange market is entirely over-the-counter, with no central exchange, formal reporting requirements or transparency. Each FX Transaction exists independently from each other, between independent counterparties on negotiated terms.

As an over-the-counter market, banks and other principals (each a "Dealer") quote exchange rates for transactions among themselves. In contrast to transaction prices in the equity markets, prices in the Dealer market are not captured via a recorded tape, but instead are, from time to time, disseminated by Dealers when they provide "indicative" pricing information to external information vendors (*e.g.* Reuters, Bloomberg, or Telerate), generating an observable stream of "indicative" pricing for market participants. While these indicative prices may be representative of prices in the Dealer market at a particular time, they may not reflect the actual,

current pricing available to non-Dealer market participants (each a "Client").[9] In fact, the exchange rate applied to any particular Client's trade order may not reflect the highest, lowest or even average price for the trading period. The Dealer rate, therefore, serves to provide a snapshot of the market at a given time, not the actual contemporaneous price available to Clients. We understand that as a result of this lack of transparency, many Clients receive executions that fall only within the traded range for the day and are not necessarily related to the price prevailing in the market at the time the transaction was executed.

B. Foreign Exchange Clients

We understand that in the foreign exchange market there are typically three types of Clients. "Major Clients" are typically investment managers and other institutions that are constant large-scale participants in the foreign exchange market. Generally, FX Transactions are a core aspect of their business model, to which they dedicate significant human, financial and organizational resources. We understand that Major Clients typically have a wide range of Dealer counterparties with whom they interact as peers. These Dealer counterparties are typically selected by the Major Client based on an assessment of the quality of execution provided by the Dealer using both quantative and qualitative tools. While Major Clients are sophisticated foreign exchange market participants, they represent only a small portion of all foreign exchange Clients.

The majority of foreign exchange Clients are "Standard Clients." Standard Clients are typically either frequent, small-scale market participants or infrequent, large-scale market participants. Most investment managers investing in international markets and commercial enterprises with overseas business are Standard Clients. Standard Clients typically have little or no infrastructure or personnel dedicated to foreign exchange. Standard Clients generally have a small number of Dealer counterparties and often execute all of their FX Transactions with a single Dealer. We understand that in these types of transactions, the Dealer will have significant discretion, both with respect to the time and price at which the transaction is executed.

Finally, many other institutions are "Occasional Clients" that have little exposure to international assets or investments and, therefore, have little or no need for foreign exchange services. Occasional Clients only participate in the market irregularly, rarely, and in small lot sizes. Occasional Clients include investment managers managing domestic portfolios (but with the authority to occasionally purchase international securities) and commercial enterprises with little or no international operations or clients. It is unlikely for Occasional Clients to have any infrastructure designed to effect FX Transactions.

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[9] For example, if an order is placed at noon on a particular day, the order would most likely not receive the indicative foreign exchange price that had been reported at noon, but instead it would be priced sometime between noon and the close of trading.

C. Price Reporting

There is no formal, centralized mechanism for reporting contemporaneous foreign exchange prices.[10] While there are a number of electronic systems that provide prices of key foreign exchange pairs (*e.g.*, the U.S. dollar and the Euro), much of the data is informational only, and is updated only as Dealers choose, without any explicit obligation to deal at that price. This information does, however, provide a method for observing the broad behavior of foreign exchange market participants. Generally, prices reported on these systems will represent tighter spreads than would normally be available for most Clients. RIIS has informed us that certain systems will also display a "mid-price," which does provide some indication of the mid-market price. Although these systems do not provide sufficiently robust information to provide a full picture of the executable market taking into account the Client-Dealer specific spread, as a general matter, information from these systems can act as a guide to the market.

The lack of available pricing data has a significant impact on the prices of FX Transactions. FX Transactions are typically between a Dealer and a Client, or two Dealers. The price at which the Dealer is prepared to trade will depend on a wide range of factors, including the means by which the transaction is being submitted, the nature and scale of the relationship between Dealer and Client, the perceived market price and the ability and propensity of the Client to source liquidity from multiple Dealers in competition. For a Client to be able to negotiate and fully appreciate the appropriateness of the price quoted by the Dealer, the Client must have enough information about the prices offered by other Dealers.

Because of the lack of a formal, centralized price reporting mechanism, the only way for a Client to assess the appropriateness of a Dealer-quoted price is to solicit prices from multiple Dealers for each transaction. As a result, one of the most important factors that a Dealer will take into account when pricing an FX Transaction is the identity of the Client. Typically, because of a

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10 We note that the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Commodity Exchange Act ("CEA") to, among other things, impose new reporting requirements for swap transactions, including foreign exchange swap transactions. The Commodity Futures Trading Commission ("CFTC") has adopted rules to implement the provisions of the CEA that require swap data reporting. Pursuant to the CFTC rules, two main categories of data must be reported to swap data repositories: (i) swap creation data, which consists of the swap's primary economic terms and confirmation data; and (ii) swap continuation data, which consists of valuation and life cycle event data. *See* CFTC Regulations 45.1, 45.3 and 45.4. Because the reporting requirements (i) do not apply to spot FX transactions; and (ii) make information available on a post-trade, rather than contemporaneous basis, RIIS does not believe that these reporting requirements enhance RIIS's ability to comply with the terms of the Drinker Letter.

Major Client's access to the foreign exchange market and its relationship with multiple Dealers, Major Clients are quoted prices similar to prices quoted to other Dealers (which are generally more aggressive). We understand that because Standard and Occasional Clients may have a significant information disadvantage, Dealers typically quote prices to them that are less aggressive and reflect the fact that the Client is either less willing or able to access multiple Dealers for quotes before the trade, or audit the results of the trade after the trade.

D. Brokerage

In other markets, the traditional response to a lack of equal information or skill in the marketplace has been the development of a broking community. Brokers are typically market experts who represent the less skilled clients in their interactions with dealers. Brokers generally act in an agency-only capacity, with no proprietary business, and are paid a commission for their service. Unlike other markets, however, few market participants have entered the foreign exchange market as agents; most market participants remain engaged as principals. We understand that no agency pricing service exists in the core institutional market and it remains a decentralized, highly fragmented marketplace. As a result, it remains difficult to obtain agency quotes in the foreign exchange market.

The few brokers in the foreign exchange market tend to be Major Clients for Dealers. RIIS acts in this capacity. For a Standard or Occasional Client, a Major Client broker can add significant value to the Client's FX Transactions. First, from a project management and process control standpoint, a Major Client broker will have created systems and processes to manage operational risks, the benefit of which would flow to its Standard and Occasional Clients. Second, Major Client brokers can achieve systematically better pricing opportunities for these Clients as described above. Major Client brokers source a wide range of Dealers and regularly check prices with a range of possible counterparties, place trades of significant size and perform regular analysis of the quality of the executions. This process leads to more aggressive price quotes from Dealers than are typically made to Standard or Occasional Clients.

V. REQUESTED GUIDANCE

Given the significant economic benefit to the Funds from using RIIS's services, and the difficulties in applying an agency fee in light of the Drinker Letter, RIIS has been providing its services to the Funds without compensation. RIIS seeks a letter from the Staff confirming that the Staff would not recommend enforcement action to the Commission under Section 17(e) of the 1940 Act if in connection with the execution of FX Transactions on behalf of the Funds, RIIS receives remuneration within the parameters of Section 17(e)(2). Because FX Transactions are

not effected on an exchange, consistent with Section 17(e)(2)(C), RIIS's compensation would not exceed one percent of the purchase or sale price of an FX Transaction.

As in the case of the FCMs addressed in the FCM Letters, we believe that the use of FX agents by RICs was not contemplated when the 1940 Act was enacted. Permitting an affiliated entity to serve as FX agent to a RIC, and to charge compensation within the parameters of Section 17(e)(2), would in our view be consistent with the purposes of the 1940 Act and the specific intent of Section 17(e).

A. Compensation to RIIS

RIIS proposes to charge a fixed commission on the net notional amount of each FX Transaction executed by RIIS on behalf of the Funds. The proposed fee would serve to compensate RIIS for expenses incurred in the maintenance of a dealing infrastructure, the commitment of resources, and the management of operational risk for its services to the Funds. To ensure that RIIS's compensation complies with Section 17(e)(2)(C), the Board will approve procedures consistent with the purposes of Section 17(e) (the "Proposed Procedures"). Except as described below, the Proposed Procedures will not differ materially from the procedures described in the Drinker Letter.

First, in the Drinker Letter, the applicants agreed that their procedures would cap an affiliated broker's commission at 3 basis points of the notional amount of each FX Transaction. In contrast, the Proposed Procedures would permit RIIS to charge a flat commission equal to the lower of (i) 3 basis points of the notional amount, or (ii) the lowest price for this service offered to similarly situated unaffiliated clients.[11]

Second, to aid the Board in its determinations regarding the reasonableness of the commission charged by RIIS, RIIS will provide the Board with appropriate commission comparison data. The Staff noted in the Drinker Letter that the advisers would compare the affiliated broker's commission to those of other currency brokers that charge commissions for transactions on the foreign exchange market and FCMs who execute foreign currency futures contracts and options trades on commodities exchanges. As discussed above, RIIS believes that because of the limited number of agent-participants in the foreign exchange market, and the complex and opaque dealer compensation components of FX Transactions such information would not be available. However, RIIS would provide to the Board on a quarterly basis the range of the commissions charged to other unaffiliated foreign exchange clients with similarly sized

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[11] As noted above, RIIS executes FX Transactions for a number of unaffiliated clients.

mandates, currency trading needs and investment restrictions (together with an explanation as to how such parameters were selected) so that the Funds' Board can ensure that the Funds receive commission rates that are less than or equal to rates charged to RIIS's similarly situated clients.[12]

In addition, RIIS will evaluate and review with the Board in connection with the Board's annual review of affiliated brokers the level of the commission it charges to the Funds. In its evaluation, RIIS will consider, among other factors, the nature of services provided to Funds, the nature of the FX Transactions executed on behalf of the Funds, changes to the foreign exchange market itself (*e.g.*, the volume of agency trades, increase in support services provided by various trading platforms) and, commissions charged for the execution of transactions in other markets. To the extent that RIIS's review suggests that its agency fee should be changed, RIIS will undertake an analysis to determine the appropriate level of its agency fee and present its results to the Board. RIIS would not alter the level of the commission it charges to the Funds unless it is first approved by the Funds' Board, including a majority of its independent trustees.

All information presented to the Board in connection with FX Transactions executed by RIIS would be maintained pursuant to the Funds' recordkeeping policies and would be available for examination by the SEC staff.

B. Best Execution

In the Drinker Letter, the funds' Section 17(e) procedures also included provisions that were designed to ensure that the funds' investment advisers met their obligations to seek best execution for transactions effected on behalf of the funds. The Staff noted that the funds' investment advisers would be prohibited from using an affiliated broker in instances where doing so would be inconsistent with the adviser's obligations to seek best execution; that is, where a fund could deal directly with an foreign exchange market participant on better terms than the fund could obtain by executing transactions through the affiliated broker. Under the Drinker Letter, therefore, a fund could use an affiliated broker only when the price obtained for a foreign currency transaction, plus the affiliated broker's commission, would be at least as favorable as the price contemporaneously quoted by an independent source previously selected by the fund's board.

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12 We note that in other contexts the staff has granted relief with respect to Section 17(e) when third party comparisons are not available, but the adviser represented that the price paid by the fund was no higher than the price charged by the affiliate to unaffiliated parties in similar transactions. *See* Merrill Lynch Asset Management, SEC Staff No-Action Letter (pub. avail. Apr. 28, 1997) (granting relief with respect to fund purchases of newly issued securities where an affiliate served as placement agent).

RIIS does not believe that the comparison price information required by the Drinker Letter provides a meaningful measure of best execution. First, as discussed above, price information in the foreign exchange market is not reported in a formalized manner and the prices reported through pricing systems are indicative prices that bear little relation to prices actually received by Clients. As noted above, because the foreign exchange market is a Dealer market, it remains difficult, if not impossible, for Clients to identify a contemporaneous market price for any given FX Transaction.

Second, even if it were possible to receive contemporaneous market prices for a particular FX Transaction, because the foreign exchange market is a principal market, price quotes must be solicited by an individual buyer contemplating a transaction and are generally unavailable for informational purposes only. In addition, as discussed above, prices in the foreign exchange market vary based on the sophistication of the Client and the size of the potential order. In order, therefore, for RIIS to obtain meaningful price comparison data on a Fund by Fund basis, each sub-adviser would need to enter the market to inquire as to prices for their portion of the overall FX Transaction. Only through collecting a price quote for each sub-adviser's FX Transaction would RIIS have meaningful price comparison data. Even if contemporaneous price quotes were available (and accurate predictors of price), this process would, nonetheless, be extremely costly both in time and resources.

Finally, RIIS believes that best execution analysis in the foreign exchange context includes a number of factors, of which price is just one. In addition to price, RIIS considers other factors including whether multiple price sources are accessed, and whether the most effective execution venue is chosen. There is no single price against which a transaction can be compared to ensure high quality execution. As a result, RIIS believes that the "price-plus-commission" component of the Drinker Letter should be abandoned as the sole indicator of best execution and should be replaced with traditional best execution analysis. Moreover, the demonstration of compliance with best execution requirements should be separated, as it is in other asset classes, from the decision as to whether compensation of an affiliate is appropriate under Section 17(e). In this regard, RIM believes that its best execution obligations with respect to the Funds' FX Transactions should be addressed and evaluated under RIM's best execution policies and procedures.

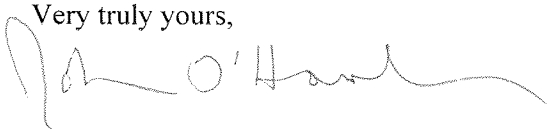
RIM intends to provide the Board with information on an annual basis, or more frequently if desired by the Board, that supports RIM's conclusion that RIIS is providing best execution with respect to the Funds' FX transactions. In particular, RIM intends to provide the Board with an independent third party analysis of the execution quality of RIIS's FX Transactions on behalf of the Funds.

VI. CONCLUSION

For the reasons discussed above, we believe that it would be consistent with the purposes of Section 17(e) for the Staff to confirm that it would not recommend enforcement action to the Commission under Section 17(e) of the 1940 Act if the Funds utilize RIIS to effect FX Transactions as agent for the Funds and, for effecting such transactions, RIIS receives remuneration within the parameters of Section 17(e)(2) of the 1940 Act. We are not seeking the Staff's views as to the level of compensation to be charged by RIIS, or the adequacy of RIM's procedures for assuring best execution with respect to FX Transactions.

Please contact John V. O'Hanlon at (617) 728-7111 if you have any questions or comments regarding this request.

Very truly yours,



John V. O'Hanlon

cc: Elliot Cohen, Russell Investment Management, LLC

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