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August 29, 2008

Florence E. Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-9303

Re: Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies, File No. S7-28-07

Dear Ms. Harmon:

The Investment Company Institute[1] appreciates the opportunity to comment on the Commission's research on investor opinions about mutual fund disclosure documents and the proposed new prospectus delivery option for mutual funds (the "Summary Prospectus").[2] We applaud the Commission for its efforts to supplement its rulemaking initiatives with research, as well as for making the findings available for public comment.[3]

Subject to the recommendations set forth in our comment letter,[4] we strongly support the Commission's proposal to permit funds to provide investors with a Summary Prospectus, and make

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[1] The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $12.24 trillion and serve almost 90 million shareholders.

[2] *See* Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies, SEC Release Nos. 33-8949, IC-28346 (July 31, 2008); Final Report: Focus Groups on a Summary Mutual Fund Prospectus, Prepared for the Securities and Exchange Commission, May 2008 ("Final Report"); Transcripts: Focus Groups on a Summary Mutual Fund Prospectus, Prepared for the Securities and Exchange Commission, May 2008 ("Transcripts"); Mandatory Disclosure Documents Telephone Survey, Submitted to the Securities and Exchange Commission, July 30, 2008.

[3] We note that only those portions of the telephone survey that directly relate to mutual fund prospectuses were published in connection with the request for comments. We urge the Commission to make the full telephone survey available to the public.

[4] *See* Letter from Karrie McMillan, General Counsel, Investment Company Institute, to Nancy M. Morris, Secretary, U.S. Securities and Exchange Commission, dated Feb. 28, 2008, available at http://www.sec.gov/comments/s7-28-07/s72807-92.pdf.

additional information available on the Internet or upon request, and we urge the Commission to move forward as soon as possible. The proposal reflects a strikingly broad consensus that investors would be best served by simplified, streamlined disclosure of essential fund information, and is validated by extensive empirical research conducted by the Commission, the Institute, and others demonstrating both the preferences of fund investors and their widespread use of the Internet to obtain financial information.[5] The Commission's recent focus groups are consistent with these findings, as are certain sections of the telephone survey.

As we have previously cautioned, while focus groups may serve certain purposes (*e.g.*, in helping to craft a survey instrument), their results cannot and should not be taken as an indication of broad investor sentiment.[6] Nonetheless, we believe the results of the focus groups are largely consistent with previous observations and findings about the Summary Prospectus, and with our comments and recommendations on the Commission's proposal. Our comments are provided below.

I. The Limitations of Focus Groups

Mainstream market research literature suggests that focus groups are a useful tool for getting desired information quickly, particularly as a means for establishing the appropriate way to conduct quantitative research using a survey-based approach in a follow-up.[7] But focus groups have at least two important shortcomings that severely limit the utility of the conclusions that can be drawn from them.[8]

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[5] *See id.* at note 9, citing numerous studies on investor preferences and use of the Internet. *See also* Investment Company Institute, *Investor Views on the U.S. Securities and Exchange Commission's Proposed Summary Prospectus* (March 14, 2008) ("ICI Investor Survey"), available at http://www.ici.org/stats/res/1ppr_08_summary_prospectus.pdf.

[6] *See, e.g.,* Letter from Elizabeth R. Krentzman, General Counsel, Investment Company Institute, to Jonathan G. Katz, Secretary, U.S. Securities and Exchange Commission, dated Apr. 4, 2005, available at http://www.sec.gov/rules/proposed/s70604/ekrentzman040405.pdf (commenting on the SEC's proposed point of sale and confirmation disclosure requirements, File No. S7-06-04).

[7] *See, e.g.,* Cox, Chinnappa, Christianson, Colledge, and Kott, *Business Survey Methods* (New York: John Wiley and Sons, Inc., 1995) pp. 285-287 ("Focus groups are conducted to develop, assess, and clarify survey concepts and their indicators, to evaluate questions and instructions, and to identify errors or burdens associated with understanding and answering questions and retrieving data.").

[8] *See, e.g.,* Tull and Hawkins, *Marketing Research* (New York: Macmillan, Inc., 1993) ("The combined effects of potential nonresponse errors, small sample sizes caused by high costs, abnormal behavior by participants, and the potential for interviewer effects makes generalization from a few focus groups to the larger population a risky undertaking."); Aaker, Kumar, and Day, *Marketing Research* (New York: John Wiley and Sons, Inc., 2004) pp. 209-210:

> The dangers of accepting the unstructured output of a focus group or a brief series of informal interviews are twofold. First, the results are not necessarily representative of what would be found in the population, and hence cannot be projected. Second, there is typically a good deal of ambiguity in the results. The flexibility that is the hallmark of these methods gives the moderator or interviewer great

First, focus groups by definition have a limited sample size and a potential selection bias. For example, the Commission's focus groups surveyed a total of twenty-five people in three urban areas. Mutual fund investors comprise about 88 million investors in nearly half (43.6 percent) of U.S. households, all over the country.[9] Using answers from just over two dozen respondents as the sole basis for making observations about the preferences of almost 90 million investors in nearly half of U.S. households would strain statistical credibility.[10] If a focus group's sample is in any way unrepresentative of the population it seeks to evaluate, the results could be misleading.

The second shortcoming of focus groups is more subtle, but is potentially a greater problem when trying to ascertain the "take-away messages" from a focus group. Focus groups by nature involve a level of subjectivity. Subjectivity can be injected into the process in two ways. First, the moderator has a great deal of flexibility to ask participants questions in a certain manner, or to emphasize certain elements over others, which can affect the answers given. While formal surveys may also include questions that may appear to invoke bias, careful survey design can minimize this risk; further, since the questions are meant to be asked using the precise language provided, there is limited room for an individual interviewer to introduce bias. Subjectivity can also be incorporated into focus group results as they are compiled. Typically, such results are assembled in a written report, in which the opinions elicited from the group are listed, characterized, and summarized in a qualitative way. By contrast, the results of a formal survey are compiled in a quantitative manner.

Under certain circumstances focus groups are likely to provide answers that are consistent with formal surveys, but it is impossible to recognize those circumstances without conducting both types of

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> latitude in directing the questions; similarly, an analyst with a particular point of view may interpret the thoughts and comments selectively to support that view. In view of these pitfalls, these methods should be used strictly for insights into the reality of the consumer perspective and to suggest hypotheses for further research.

Polly Phipps, Shail J. Butani and Young I. Chun, "Research on Establishment-Survey Questionnaire Design," *Journal of Business & Economic Statistics,* 1995:

> Focus groups were developed as a qualitative research tool, and as such they prevent social scientists from making quantitative estimates. This limitation stems primarily from the nature of focus-group samples, which are small and nonprobability based… Because analysis of these data further involves the researcher's subjective judgment, we interpret the results with caution.

[9] Sarah Holden and Michael Bogdan, "Trends in the Ownership of Mutual Funds in the United States, 2007," *ICI Fundamentals*, Vol. 16, No. 5 (Washington, DC: Investment Company Institute, November 2007), available at http://www.ici.org/fundamentals/fm-v16n5.pdf.

[10] To some extent, all surveys face the risk of sampling variability. The larger a survey, however, the lower the risk. For example, the ICI Investor Survey on the proposed Summary Prospectus involved just over 500 respondents, which leads to statistical margins of error at plus or minus 4.35 percentage points at the 95 percent confidence level.

research. If the range of opinions in the population being studied is very narrow, the chance of small-sample bias is mitigated, because the focus group is less likely to (randomly) include people who disagree with the commonly held opinion. For example, the Commission focus groups showed strong support for the concept of a short-form disclosure document, and widespread willingness and/or desire to obtain financial information online. ICI has found a very strong consensus about these issues in its investor research, so the observation that the focus groups overwhelmingly concurred is not surprising– given the formal survey results, the chances were relatively small that the Commission would assemble a focus group that produced a fundamental disagreement. These observations do not justify a research strategy based solely on focus groups, but they explain why consistency across certain findings may occur.

As a result of the limitations of focus groups, the Institute respectfully cautions against relying too heavily on their results, in isolation, for the purposes of crafting regulation. Nonetheless, as discussed below, we believe that, by and large, the results of the Commission's focus groups on the Summary Prospectus are in line with conclusions that have already been drawn from previous research on the subject.

II. Research Findings

The findings of the Commission's focus groups generally reflect the collective wisdom regarding the Summary Prospectus proposal, including the results of previous research conducted by the ICI.[11] In particular, focus group participants were generally in favor of the concept of providing investors with a streamlined disclosure document and making more information available online and upon request. They also offer reassurance that investors are able and willing to use the Internet to access additional investment information, including quarterly updates of performance and portfolio holdings information. These results are further reinforced by the Commission's telephone survey.

As discussed below, however, we disagree with one conclusion drawn from the focus groups – that top ten portfolio holdings should be disclosed in the Summary Prospectus. We believe that elements of subjectivity are apparent in both the questions posed by the moderators and the Final Report. Once these biases are considered, we do not believe the Transcripts warrant such a conclusion.

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[11] *See, e.g.,* ICI Investor Survey. *See also* Investment Company Institute, *The Profile Prospectus: An Assessment by Mutual Fund Shareholders* (Summary of Research Findings) (May 1996), available at http://www.ici.org/stats/res/arc-rpt/rpt_profprspctus3.pdf, *and* Investment Company Institute, *Understanding Investor Preferences for Mutual Fund Information* (2006), available at http://www.ici.org/stats/res/rpt_06_inv_prefs_full.pdf (demonstrating that investors would be best served by simplified, streamlined disclosure of essential fund information). *See also* Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies, SEC Release Nos. 33-8861, IC-28064 (Nov. 21, 2007) at n. 16 and accompanying text ("Numerous commentators have suggested that investment information that is key to an investment decision should be provided in a streamlined document with other more detailed information provided elsewhere." (Citations omitted)).

A. Desirability of Providing a Short-Form Document

The results from the Commission's focus groups are consistent with the Institute's findings on the general desirability of providing investors with a short-form disclosure document, while making additional information available online and upon request. For example, the recent ICI Investor Survey,[12] a telephone survey of over 500 people that was specifically designed to evaluate certain aspects of the Summary Prospectus proposal, found that 94 percent of investors generally supported the concept of receiving a short-form prospectus, so long as additional information is available upon request.[13] An earlier ICI survey found that 80 percent of investors who had purchased a mutual fund outside a work-based retirement plan found concise descriptions of investments more helpful than very detailed descriptions.[14] Likewise, many of the focus group participants liked the short-form document, viewing it as "a tool in determining whether or not to pursue additional research about a given fund."[15]

B. Investor Willingness to Use the Internet

The Commission's focus groups and telephone survey findings were also consistent with the Institute's conclusions about investors' access to and willingness to use the Internet, including for financial research. The ICI Investor Survey found that 95 percent of people who purchased mutual funds in the last five years have Internet access.[16] Of those with Internet access, 88 percent reported using the Internet to obtain financial information.[17] Similarly, earlier ICI research showed that 91 percent of all households owning mutual funds have Internet access, and 78 percent used the Internet for financial purposes.[18] The Commission's telephone survey was also relatively consistent, finding that 90 percent of investors in stocks, bonds, and/or mutual funds have Internet access, and a majority (54 percent) reported using the Internet to make investment decisions.[19] Similarly, the focus group

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[12] *See supra* note 5.

[13] *See* ICI Investor Survey at 6.

[14] *See Understanding Investor Preferences for Mutual Fund Information* (2006), *supra* note 11, at Figure 3.

[15] Final Report at 6.

[16] *See* ICI Investor Survey at 18.

[17] *Id.* at 19. This number includes respondents who reported using the Internet for any of the following: "check bank or investment account balances," "visit a financial chat room or blog," "obtain investment information," "visit fund company websites," "contact a professional financial adviser," or "buy or sell investments."

[18] *See 2008 Investment Company Fact Book*, 48th Edition, Washington, DC: Investment Company Institute, 2008, available at www.icifactbook.org, at Figure 6.13. This number includes those who reported that they "accessed any type of financial account, such as bank or investment accounts," "obtained investment information," or "bought or sold investments online."

[19] *See* Telephone Survey at 115-116. The narrower wording of the survey question, which referred specifically to "decisions to buy or sell stocks, bonds, or mutual funds," rather than the broader categories included in the ICI's survey regarding

Transcripts contain numerous comments demonstrating that individual investors currently use the Internet to learn more about funds.[20]

C. Web-Based Quarterly Updating

Investor views about information-updating frequency are difficult to ascertain in a survey setting because, other things being equal, respondents are likely to answer that they prefer more current to less current information.[21] Because of this difficulty, the ICI Investor Survey did not directly inquire about investors' preferences in terms of updated information. The Commission's telephone survey also did not address this question.

Institute members have made clear that the costs and operational burdens associated with quarterly updating of performance information in a Summary Prospectus would be extremely problematic, and would limit the likelihood that they would use a Summary Prospectus.[22] The Institute has taken the position that, because most investors are willing to use the Internet to obtain financial information, allowing funds to provide current information via the Internet rather than updating a Summary Prospectus is a good outcome for both investors and the funds they purchase.[23]

The results of the Commission's focus groups are consistent with the Institute's proposed approach. While participants generally agreed that they would like to see performance information updated at least every six months or quarter, there was virtually unanimous willingness to obtain such results on the Internet, with many participants noting that they already do so. Beyond their willingness to use the Internet for these purposes, several participants acknowledged the benefits of not requiring

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Internet use to obtain financial information, may explain the lower results in the SEC's telephone survey. It should be noted that the ICI's survey was limited to mutual fund investors.

[20] *See, e.g.,* Transcripts at pp. 4, 26, 27, 49, 40, 62.

[21] Asking, "do you want information that is updated once a year or four times?" is somewhat like asking "do you want one dollar or four dollars?" Respondents' answers may be less predictable if the tradeoffs could be addressed, such as by asking if shareholders would prefer updated information even if it added a certain amount to the fees they are charged or necessitated the use of a specific quantity of paper. But such tradeoffs are difficult to articulate and incorporate into a survey. For example, an investor may desire more frequent updates at the cost of one basis point per year, but not two; ascertaining these thresholds would become a survey in itself.

[22] *See, e.g.,* Letter from Karrie McMillan, *supra* note 4, at 4-16 and Appendix B.

[23] *See, e.g., id.* at 16. The Commission itself has strongly endorsed the use of electronic media to communicate information to investors. Most recently, in a release providing guidance on the use of company websites, the Commission stated that "today we have reached a point where the availability of information in electronic form – whether on EDGAR or on a company web site – is *the superior method* of providing information to most investors, as compared to other methods." Commission Guidance on the Use of Company Web Sites, SEC Release Nos. 34-58288, IC-28351 (Aug. 1, 2008), at 11 (emphasis added).

funds to provide updated Summary Prospectuses, mentioning both the cost of producing such information and the use of paper to print them.[24]

D. Inclusion of Portfolio Holdings in the Summary Prospectus

The Commission's inquiry into the inclusion of portfolio holdings in the Summary Prospectus reflects certain potential limitations of focus groups described above, as well as a general design flaw. In particular, the materials shown to participants were unusual insofar as portfolio holdings disclosure is concerned, the moderators overemphasized this element, and the Final Report appeared to selectively interpret the results. The Report's conclusion that "[v]irtually all of the focus group participants felt that the top ten portfolio holdings should be disclosed in a summary prospectus"[25] is neither an accurate reflection of participants' responses nor consistent with previous research. When reviewing the results with these limitations in mind, we believe the focus group results led to a more nuanced and less definite conclusion, and one which is more consistent with the Institute's position than the Final Report suggests.

As a preliminary matter, the sample statutory prospectus provided to focus group participants was not typical. It contained several types of portfolio holdings information, including an asset allocation pie chart, top ten stock holdings, a sector breakdown for stock holdings, and a breakdown of bond holdings by quality category. This information is not required by Form N-1A, and it is not usually included in fund prospectuses. Asking participants to review a prospectus that included a host of portfolio composition data elevated the visibility, and thus potentially the perceived importance of, this information.

In addition, the Transcripts suggest that the moderators prodded participants on the importance of portfolio holdings information. For example, one moderator asked the group whether funds should list their top ten investments in the Summary Prospectus. He appeared to take a poll, to which "a little more than half" agreed. He then followed up with "[e]veryone says yes?" And, after receiving a number of ambiguous answers, he stated "I guess the take-away that I'm getting from that is that the top ten portfolio holdings is important information."[26] Similarly, in all of the sessions, participants were asked approximately 10 questions about portfolio holdings information, compared to one or two questions about other types of information (objectives, risks, costs, intermediary

[24] *See* Transcripts at 24-26, 48-50, 76-78.

[25] Final Report at 7.

[26] Transcripts at 12-13.

compensation, etc.). Again, the increased attention to this information is likely to have the effect of raising its perceived importance.[27]

Moreover, the focus group participants were not asked to comment on the relative importance of portfolio composition as compared to other information, or otherwise to consider that, in order for the Summary Prospectus to remain a "short-form" document, the required content must be limited. As noted above,[28] respondents are generally likely to opt for more (or more recently updated) information absent any clear tradeoffs.[29]

Finally, the Final Report mischaracterizes the focus group results. The Transcripts belie the statement that "virtually all" participants deem portfolio holdings important. Some of the responses to the question of whether top ten holdings are important included: "I'd say it's 'mildly helpful'"; "It 'can' give you information – or not!"; "It depends on what it tells you!"; "So, this is not a big help."; and, "Unless something jumps out at you, it's not going to be very interesting."[30] None of these responses were captured in the Final Report's caveats, which only allowed that some respondents expressed concerns that the information changes frequently and can become outdated, and that top ten holdings may account for very small fraction of the fund's holdings.

A careful reading of the Transcripts offers a much more nuanced impression of participants' views, which does not support the Final Report's emphatic conclusion. Participants appear to believe that portfolio holdings information can be useful in certain circumstances, but they recognize the limitations of such information, including that it may become stale quickly, and that it may represent a small proportion of a fund's assets. The responses also suggest a variety of opinions about whether asset

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[27] Research has shown that subjective questioning can cause respondents to develop opinions on questions about which they previously had no opinion. *See, e.g.,* Marianne Bertrand and Sendhil Mullainathan, "Do People Mean What They Say? Implications for Subjective Survey Data," MIT Department of Economics Working Paper Series, 2001:

> Part of the problem comes from respondents' reluctance to admit lack of an attitude. Simply because the surveyor is asking the question, respondents believe that they should have an opinion about it. For example, researchers have shown that large minorities would respond to questions about obscure or even fictitious issues, such as providing opinions on countries that don't exist.

[28] *See supra* note 21.

[29] The ICI Investor Survey found widespread agreement that three to four pages was the right length for a summary disclosure document (96 percent strongly agreed or somewhat agreed). ICI Investor Survey at 6. As discussed in our first comment letter on the Summary Prospectus Proposal, the information currently proposed to be required could frequently result in Summary Prospectuses that are closer to six or seven pages, suggesting a need to focus on the information that is most critical to investors. *See* Letter from Karrie McMillan, *supra* note 4, at 32.

[30] Transcripts at 13.

allocation information is preferable to top ten holdings, as well as about the preferred presentation for asset allocation.

These impressions are far more consistent with the ICI Investor Survey than the Final Report would suggest. The ICI Investor Survey found support for the idea of showing top ten holdings when it was offered up as one of the possible pieces of information to be included in a Summary Prospectus, but that support was conditional. While approximately three-quarters of respondents in the ICI's survey stated that investment objectives, fees and expenses, and performance were "very important, need to keep in summary document," less than half of the respondents said the same for top ten portfolio holdings. Another 40 percent described top ten holdings as "somewhat important, keep if space available." [31]

In the Institute's comment letter on the proposal, we recommended that top ten portfolio holdings not be included in the Summary Prospectus. Our concerns were similar to those of some focus group participants – the information can become stale quickly, and may represent a relatively small portion of a fund's assets, making it a poor proxy for the fund's overall holdings. We also observed that this information is already widely available on the Internet and in other materials provided by funds and intermediaries, and that these sources have the additional benefits of regular updating and flexibility in presentation. We suggested that these sources are therefore preferable to any standardized format the Commission could prescribe for inclusion in the Summary Prospectus.[32]

In a follow-up letter accompanying the ICI Investor Survey,[33] we noted that the Survey showed widespread agreement that three to four pages is about the right length for a Summary Prospectus,[34] and that respondents are generally accustomed to using the Internet to gather financial information. We concluded that these results both urge the Commission to limit the contents of the Summary Prospectus to keep it reasonably short, and provide assurance that investors are fully capable of finding information they desire if it is not included in the Summary Prospectus. Read fairly, the focus group results are consistent with this position.

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[31] *See* ICI Investor Survey at 8.

[32] *See* Letter from Karrie McMillan, *supra* note 4, at 40-41.

[33] *See* Letter from Karrie McMillan, General Counsel, and Brian Reid, Chief Economist, Investment Company Institute, to Nancy M. Morris, Secretary, U.S. Securities and Exchange Commission, dated March 14, 2008, available at http://www.sec.gov/comments/s7-28-07/s72807-127.pdf.

[34] *See supra* note 29.

III. Financial Intermediary Disclosure

The comments made by focus group participants with respect to the proposed financial intermediary disclosure are generally consistent with the Institute's views on such disclosure. First, participants supported being reminded of potential intermediary conflicts in the Summary Prospectus; most Institute members do not object to including this disclosure.[35] Several comments also appear consistent with the Institute's position[36] on the need to consider requiring financial intermediaries to provide more detailed information about their compensation and potential conflicts of interest,[37] including information with respect to other investment products offered by the intermediary, at an earlier stage in the investment process.

For example, many focus group participants wanted information about broker conflicts at the beginning of a relationship with a financial adviser, in addition to a reminder when they purchase a fund. In fact, several participants noted that an understanding of such conflicts would impact their decision to work with a financial adviser.[38] The discussions also reflect a lack of understanding about the nature of the potential conflicts of interest captured by this disclosure. According to the Commission's proposal, the disclosure is intended to "identify the existence of compensation arrangements with selling broker-dealers or other financial intermediaries."[39] The focus group discussions, however, reflected a belief that the disclosure refers to sales loads and commissions, rather than other potential compensation arrangements between a fund or its affiliates and a broker-dealer. Finally, many participants agreed that the disclosure would cause them to seek additional, more detailed information.[40]

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[35] *See* Letter from Karrie McMillan, *supra* note 4, at 41. Institute members are willing, where applicable, to include a general statement that directs shareholders to their intermediaries for more information.

[36] *See, e.g.,* Investment Company Institute, Submission to the U.S. Chamber of Commerce, Commission on the Regulation of Capital Markets in the 21st Century (Jan. 26, 2007), available at http://www.ici.org/statements/cmltr/07_reg_cap_mark_stmt.html; Letter from Paul Schott Stevens, President, Investment Company Institute, to Hal S. Scott, Director, Committee on Capital Markets Regulation, dated Nov. 20, 2006, available at http://www.ici.org/statements/cmltr/06_ccmr_fund_issues_ltr.html.

[37] Because these conflicts may vary by intermediary even among those selling identical products, any specific discussion of conflicts necessarily must be provided by the intermediary.

[38] *See* Transcripts at 15-16, 51-53, 67-69.

[39] Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies, *supra* note 11, at 31.

[40] *See supra* note 38.

Should financial intermediaries be required to provide such disclosure with respect to mutual funds, the Institute, regulators, and consumer advocates have all cautioned that requiring similar disclosures for *all* retail investment products is critical to ensure that investors receive appropriate investment recommendations. Imposing requirements prior to the sale of only certain products would create incentives for intermediaries to sell products not subject to those requirements, even when those products are not the best fit for an investor.[41] The Institute has also noted that any such disclosure requirements should be designed to minimize disruptions to the sales process.[42] We recommend that the Commission consider requiring financial intermediaries to offer disclosure about potential conflicts of interest as part of a separate initiative, and not delay the adoption of the Summary Prospectus.

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[41] For example, former NASD Chairman Robert Glauber stressed the need to consider this consequence, explaining that "[a]n investor should be sold a security because it's right for him or her, not because it's easier to sell than something else." Remarks by Robert Glauber, Chairman, NASD, at the Investment Company Institute's 2006 General Membership Meeting (May 18, 2006), available at http://www.finra.org/PressRoom/SpeechesTestimony/RobertR.Glauber/p016642. Similarly, Barbara Roper of the Consumer Federation of America stated that by considering fee disclosures as "a mutual fund issue, instead of a broker compensation issue, sort of more holistically, you run the risk that you make mutual funds less attractive to sell. And I think that would be a very bad thing." Remarks by Barbara Roper, Director of Investor Protection, Consumer Federation of America, at the Securities and Exchange Commission 12b-1 Roundtable, Unofficial Transcript, p. 196, available at http://www.sec.gov/news/openmeetings/2007/12b1transcript-061907.pdf. *See also* Remarks by Charlie McCreevy, European Commissioner for Internal Market and Services, at the Public Commission Hearing on Retail Financial Services (Sept. 19, 2007), available at http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/548&format=HTML&aged=0&language=EN (expressing concern that EU regulations that impose different selling rules and different levels of product and fee disclosure on different types of investment products may be distorting competition among those products and resulting in a disservice to retail investors).

[42] *See supra* note 36.

The Institute appreciates the opportunity to comment on the Commission's research materials. If you have any questions about our comments or would like any additional information, please contact John Sabelhaus at 202/326-5866, Mara Shreck at 202/326-5923, or the undersigned at 202/326-5815 (Ms. McMillan) or 202/326-5917 (Mr. Reid).

Sincerely,

/s/ Karrie McMillan

Karrie McMillan
General Counsel

/s/ Brian Reid

Brian Reid
Chief Economist

cc: The Honorable Christopher Cox, Chairman
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes

Andrew J. Donohue, Director
Susan Nash, Associate Director
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