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Invested in America

November 17, 2010

Via email to: rule-comments@sec.gov and IA-BDStudy@sec.gov

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Study Regarding Obligations of Brokers, Dealers, and Investment Advisers; Exchange Act Release No. 62577; Investment Advisers Act Release No. 3058; File No. 4-606

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association (SIFMA)[1] would like to thank you for the opportunity to meet with representatives of the Securities and Exchange Commission (SEC) on November 10th to review our analysis of potential changes to the standard of care for investors served by our member firms.[2] As noted in our previous public statements, SIFMA supports harmonization of broker-dealer and investment adviser regulations for those who provide personalized investment advice to retail investors. We believe this can be accomplished in a way that does not restrict customer choice or product access. We commend the SEC for the depth of review it is undertaking in its current study.

The key findings from our study show that broker-dealers play an important role in retail brokerage, which cannot be easily replicated with alternative service models. Among the findings are:

- 95% of the households served by the firms participating in our survey use commission-based brokerage accounts to meet their investment objectives today;

[1] SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit www.sifma.org.

[2] Our study, filed with the SEC on October 27, 2010, is available at http://www.sec.gov/comments/4-606/4606-2824.pdf.

- Access to investment products traditionally offered on a principal basis (corporate and municipal securities) is more common and more affordable through commission-based accounts, particularly for small investors; and

- The realized cost of investment for investors under fee-based advisory accounts is consistently higher (23-27 bps on average) than the commission-based brokerage accounts used by the 38MM+ households covered by our study.

We recognize that the legislation does not prohibit commission-based compensation or other common elements of the broker-dealer service model. Our survey results bear out the relative value of commission-based accounts, particularly for smaller investors. If these same brokerage services had to be provided under the existing provisions of the Investment Advisers Act of 1940, however, it would negatively affect client choice and access to products, such as those now available on a principal basis. Thus, we continue to support a uniform federal fiduciary standard for broker-dealers and investment advisers who provide personalized investment advice to retail clients, yet that new standard must be "operationalized" to reflect the many different business models currently in effect serving investors.

We have drafted this letter to respond to SEC staff requests for additional detail on the methodology used to complete the study, the robustness of the data gathered, and several exhibits contained in the original submission. Accordingly, our response is organized as follows:

- Methodology for impact assessment
- Robustness of data gathered
- Additional data

We are grateful for the opportunity to respond to SEC staff questions and your consideration of the findings from our study.

I. Methodology for impact assessment

SIFMA commissioned Oliver Wyman[3] to analyze the impact of potential changes to the standard of care for investors served by our member firms. Oliver Wyman

[3] With more than 2,900 professionals in over 40 cities around the globe, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership

designed a standard template (see appendix 2) that was distributed to ~30 member firms to collect aggregated data on investment activity, asset allocation, and 'realized investment costs' across different client wealth segments and account types. Due to restrictions on disclosure of personal financial data and operational constraints, client-level data was not requested as part of the survey. Oliver Wyman supplemented the aggregated member data with publicly available information in preparing the study.

In total, 17 firms provided SIFMA with sufficient data for analysis. These firms represent a broad cross-section of SIFMA's membership serving retail investors, including global, national and regional full service broker-dealers, bank brokerages, and discount brokers.

II. Robustness of data gathered

The data gathered to support the analysis covered 38.2MM households with $6.8TN invested with member firms. To put these figures in context:

- The 38.2MM households included in the data represent 33% of households in the United States today, according to the most recent survey of consumer finances by the Federal Reserve.[4] However, not all U.S. households hold investment accounts, implying that the true percentage of investors covered by the data is higher than 33%.

- The $6.8TN in client assets captured in the data represents 27% of financial assets held by investors in the United States. A significant share of the financial assets identified by the Federal Reserve includes 'investments' that are not generally held in brokerage or advisory accounts (e.g. pension assets), implying that the true percentage of investor assets covered by the data is higher than 27%.

The objective of this study is to analyze the impact of potential changes to the standard of care for investors served by our member firms – not necessarily to draw conclusions on the broader investor population. This population of 38MM+ households represents

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development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit www.oliverwyman.com.

[4] Federal Reserve Board Survey of Consumer Finances 2007

a meaningful share of the US investor population, which should be considered carefully in the SEC study.

To our knowledge, this information set is unique in that it provides a window into the underlying economics of different models for serving retail investors and is exceptional both in its breadth of coverage and its usefulness in comparing realized investment costs across different firms.

III. Additional data

The SEC staff attending the meeting on November 10th also requested additional detail on asset allocation (provided in summary form on page 17 of the original submission). A breakdown of asset allocation across different client wealth segments and account types is provided in appendix 1 below.

Please let us know if we have adequately addressed your questions and requests for additional information, or if there is anything more we may provide that would be helpful to you.

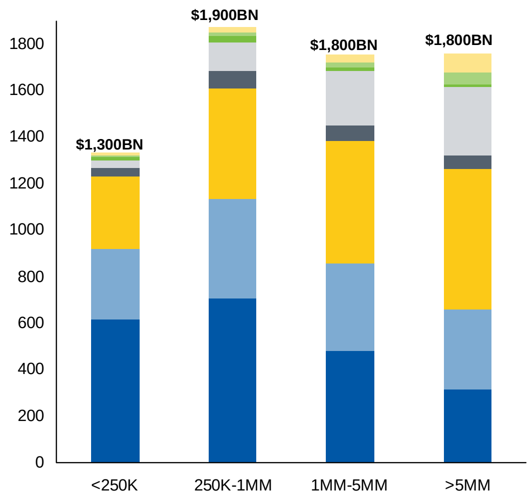
Sincerely yours,

Ira D. Hammerman
Senior Managing Director
and General Counsel

cc: Mary L. Schapiro, Chairman
Luis A. Aguilar, Commissioner
Kathleen L. Casey, Commissioner
Troy A. Paredes, Commissioner
Elisse B. Walter, Commissioner
Robert W. Cook, Director, Division of Trading and Markets
Andrew J. Donohue, Director, Division of Investment Management

Appendix 1: asset allocation across wealth segments and account types

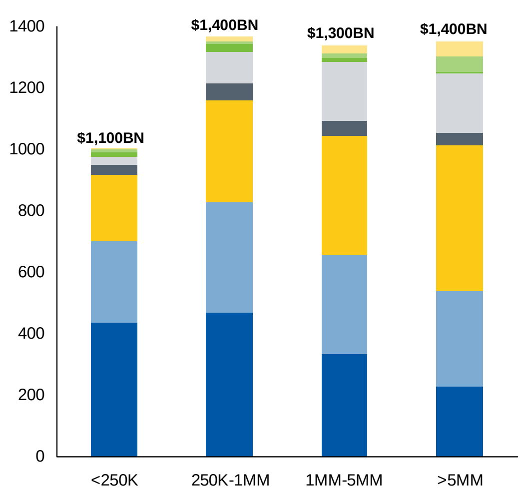
All account types
Asset allocation ($BN) by wealth segment, 2009[1,2]



	<250K	250K-1MM	1MM-5MM	>5MM
Government / Agency Bonds	9	23	35	80
Alternatives	7	14	21	57
Structured Products	18	28	12	7
Municipal Bonds	31	120	238	296
Corporate Bonds	37	76	66	58
Equities	311	478	528	604
Cash / other[3]	306	429	373	346
Mutual Funds / ETFs	614	705	484	313

1. Numbers may not sum to total due to rounding
2. 5 firms representing less than $400BN in assets did not provide asset allocation details by account type and are excluded from analyses on the following charts
3. Includes cash, currencies, money market funds, etc
Source: SIFMA member data, Oliver Wyman analysis

Commission-based, non-discretionary accounts
Asset allocation ($BN) by wealth segment, 2009[1]

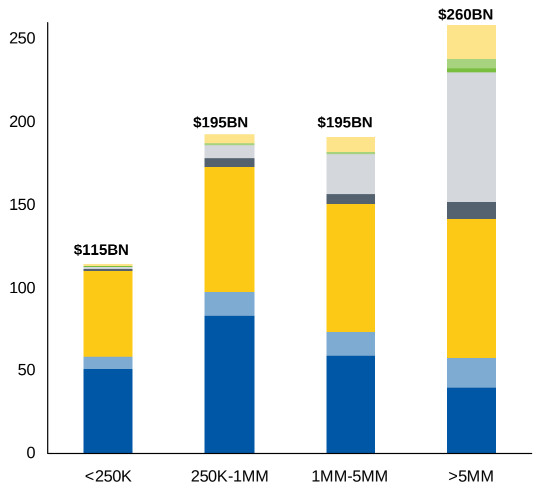


	<250K	250K-1MM	1MM-5MM	>5MM
Government / Agency Bonds	7	15	23	51
Alternatives	6	10	17	45
Structured Products	17	25	11	5
Municipal Bonds	28	99	192	195
Corporate Bonds	32	59	51	41
Equities	230	332	386	477
Cash / other[2]	273	359	323	307
Mutual Funds / ETFs	457	468	336	230

1. Numbers may not sum to total due to rounding
2. Includes cash, currencies, money market funds, etc
Source: SIFMA member data, Oliver Wyman analysis

Fee-based, discretionary accounts

Asset allocation ($BN) by wealth segment, 2009[1]



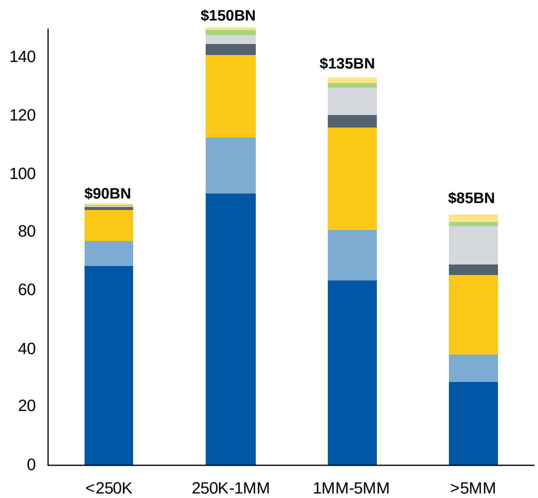
	<250K	250K-1MM	1MM-5MM	>5MM
Government / Agency Bonds	2	6	9	21
Alternatives	<1	1	2	6
Structured Products	<1	<1	<1	2
Municipal Bonds	1	8	23	78
Corporate Bonds	2	5	7	11
Equities	52	75	77	84
Cash / other[2]	7	14	14	18
Mutual Funds / ETFs	51	83	59	40

1. Numbers may not sum to total due to rounding
2. Includes cash, currencies, money market funds, etc

Source: SIFMA member data, Oliver Wyman analysis

Fee-based, non-discretionary accounts

Asset allocation ($BN) by wealth segment, 2009[1]



	<250K	250K-1MM	1MM-5MM	>5MM
Government / Agency Bonds	<1	1	2	3
Alternatives	1	1	2	1
Structured Products	<1	<1	<1	<1
Municipal Bonds	<1	3	9	13
Corporate Bonds	1	4	4	3
Equities	11	28	35	27
Cash / other[2]	8	19	18	10
Mutual Funds / ETFs	69	94	63	29

1. Numbers may not sum to total due to rounding
2. Includes cash, currencies, money market funds, etc

Source: SIFMA member data, Oliver Wyman analysis

Appendix 2: data collection template

Variable inputs for member firms to complete

I. Assets, Revenues, and Costs for all accounts

	Wealth Segment (client assets)			
2009 data	**< 250,000**	**250,000-1MM**	**1MM-5MM**	**>5MM**
Number of households holding accounts (year-end)				
Total fees, commissions, other client-related revenues ($MM)				
Total client assets ($MM) (year-end)				
Asset composition ($MM)				
Equities				
Fixed Income | Corporate Bonds				
Fixed Income | Government and Agency Bonds				
Fixed Income | Municipal Bonds				
Mutual Funds and ETFs				
Structured Products				
Alternatives (Hedge funds, private equity, managed futures)				
Other Products (MM MF's, FCASH, CD's)				

II. Assets, Revenues, and Costs by account type

	Wealth Segment (client assets)			
2009 data	**< 250,000**	**250,000-1MM**	**1MM-5MM**	**>5MM**
Fee-based discretionary accounts				
Number of households holding accounts (year-end)				
Total fees, commissions, other client-related revenues ($MM)				
Total client assets ($MM) (year-end)				
Asset composition				
Equities				
Fixed Income | Corporate Bonds				
Fixed Income | Government and Agency Bonds				
Fixed Income | Municipal Bonds				
Mutual Funds and ETFs				
Structured Products				
Alternatives (Hedge funds, private equity, managed futures)				
Other Products (MM MF's, FCASH, CD's)				
Fee-based non-discretionary accounts				
Commission-based discretionary accounts				
Commission-based non-discretionary accounts				

III. Additional 'client profile' data

	Wealth Segment (client assets)		
2009 data	**< 250,000**	**250,000-1MM**	**1MM-5MM**
Number of clients holding IRA accounts (year-end)			
Fee-based			
Commission-based			
Number of clients holding both fee- and commission-based accounts (year-end)			
Number of clients with concentrated positions >25% of assets in one position (year-end)			
Number of clients executing less than 10 trades in 2009			
Number of clients purchasing shares in IPOs on principal basis in 2009			
Number of clients purchasing Municipal Bonds on principal basis in 2009			