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CHAIRMAN'S  
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July 11, 2007

The Honorable Christopher Cox  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20459

Dear Mr. Chairman:

I am writing to ask for your leadership in finding a common sense solution that will allow investors to continue to have the choice of fee-based brokerage accounts.

We appreciate that the SEC obtained a stay of the court's decision for 120 days so that there would be additional time to resolve this situation in the best interests of investors.

This is an important issue for investors in this country. As you will recall, the SEC endorsed the 1995 Tully Committee "best practice" recommendation of fee-based compensation for brokerage services. Consistent with that recommendation, fee-based brokerage accounts provide investors with greater choice in how they pay for service while "aligning the interests of registered representatives, firms and investors."

Since the SEC proposed Rule 202 to allow investors that choice, the popularity of these accounts has been overwhelming. Today, there are about a million fee-based brokerage accounts with nearly \$300 billion in assets.

Their popularity is easy to understand. They allow investors a choice in how they pay for service, the price certainty that comes from paying an asset based fee, the opportunity for more active traders to save money, and access to a wide range of services that are typically not available through an investment advisory account.

If the court's ruling stands without remedy, investors will face fewer choices and the burden of having to open multiple accounts to replicate the investment options they now enjoy with fee-based brokerage accounts.



Brokerage accounts are very important to investors seeking a wide variety of services such as hedging their appreciated stock grants, participating in new issues of stocks and

bonds, buying a municipal bond for tax efficient yield or seeking the benefits in structured products including principal protected notes. It is often in investors' best interests for these transactions to be effected as principal, and it is sometimes the only way to effect such transactions. Principal transactions in an investment advisory account are extremely difficult to implement, and they are simply prohibited for retirement and IRA accounts in view of ERISA and IRC regulations. In our view, principal transaction relief should be part of your overall review.

There are also other brokerage services, such as investor initiated transactions and cash management features, that have traditionally been part of a brokerage account and raise important concerns if imposed in an investment advisory relationship.

We see a clear path forward. We applaud your decision to commission the RAND Corporation to study how the different regulatory systems that apply to broker-dealers and investment advisors affect investors. That study is scheduled to be completed in December, and we look forward to working with the SEC on any recommendations it has to advance our evolving industry.

Until then, we respectfully ask that the SEC or its staff issue an exemptive order or a no-action letter, at least until the completion of the RAND study and its analysis, to allow investors to continue to benefit from fee-based brokerage accounts. We believe this approach would protect investors and avoid having about a million accounts disrupted. It would also give the SEC time to study the RAND findings and offer clear recommendations on a number of complicated regulatory issues facing our industry.

There is a real opportunity for you and the SEC to use the RAND study as the foundation for modernizing financial services in the best interests of investors. Given that a 120-day stay of the court decision will end in October, and the RAND study will be completed in December, it would be unfortunate to push investors out of fee-based accounts prior to considering the broader recommendations that will likely follow the RAND study.

Fee-based brokerage accounts were born from the SEC's decision to endorse the findings of the Tully Committee. Investors have embraced that decision and have grown accustomed to the benefits and efficiency of these accounts. We urge you to preserve investor choice and prevent changes that we view to be ill-advised, industry-changing and to the detriment of investors.

If I can provide any other information or insight to you or the SEC on this issue, please let me know.

Sincerely,

*Robert J. McCann*