



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

January 11, 2011

Mr. W. Hardy Callcott
Bingham McCutchen LLP
Three Embarcadero Center
San Francisco, California 94111

Re: In the Matter of Schwab YieldPlus Fund (HO-10858)
Charles Schwab Corporation – Waiver Request of Ineligible Issuer Status under Rule 405 of the Securities Act

Dear Mr. Callcott:

This is in response to your letter dated January 4, 2011, written on behalf of Charles Schwab & Co., Inc. (CS&Co.), Charles Schwab Investment Management (CSIM), and their parent company the Charles Schwab Corporation (Company) and constituting an application for relief from the Company being considered an "ineligible issuer" under Rule 405(1)(vi) of the Securities Act of 1933 (Securities Act). The Company requests relief from being considered an "ineligible issuer" under Rule 405, due to the entry on January 11, 2011, of a Commission Order (Order) pursuant to Section 8A of the Securities Act, naming CS&Co. and CSIM as respondents. The Order requires that among other things, CS&Co. and CSIM cease and desist from committing or causing any violations, and any future violations of Section 17(a)(2) and Section 17(a)(3) of the Securities Act.

Based on the facts and representations in your letter, and assuming the Company, CS&Co and CSIM comply with the Order, the Commission, pursuant to delegated authority has determined that the Company has made a showing of good cause under Rule 405(2) and that the Company will not be considered an ineligible issuer by reason of the entry of the Order. Accordingly, the relief described above from the Company being an ineligible issuer under Rule 405 of the Securities Act is hereby granted. Any different facts from those represented or non-compliance with the Order might require us to reach a different conclusion.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Kosterlitz", written over a large, stylized flourish.

Mary Kosterlitz
Chief, Office of Enforcement Liaison
Division of Corporation Finance

W. Hardy Callcott
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January 4, 2011

VIA FEDERAL EXPRESS

Mary J. Kosterlitz, Esq.
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-0506

Re: In the Matter of Schwab YieldPlus Fund (HO-10858)

Dear Ms. Kosterlitz:

We submit this letter on behalf of our clients, Charles Schwab & Co., Inc. ("CS&Co.") and Charles Schwab Investment Management ("CSIM"), and their parent company the Charles Schwab Corporation ("SCHW"), in connection with CS&Co., CSIM and Schwab Investments' settlement of the above-referenced matter, which followed an investigation by the U.S. Securities and Exchange Commission ("Commission") into the marketing and sale of YieldPlus.

SCHW seeks a determination by the Commission that it will not be deemed an "ineligible issuer" under Rule 405 of the Securities Act of 1933, as amended (the "Securities Act"), for any purpose under the securities laws and the rules thereunder, including but not limited to the definition of "well-known seasoned issuer," as a result of the Administrative Order, as defined below. SCHW asks that the requested determination be made effective upon the entry of the Administrative Order. We understand that the Division of Enforcement does not object to the requested determination by the Division of Corporation Finance.

BACKGROUND

CS&Co. is registered with the Commission as a broker-dealer and an investment adviser. CSIM is registered with the Commission as an investment advisor. Schwab Investments a no-load, open-end management investment company and is registered under the Investment Company Act. CS&Co. and CSIM are wholly owned subsidiaries of SCHW, the shares of which are listed on Nasdaq. SCHW is a reporting company under the Securities Exchange Act of 1934 ("Exchange Act").

The Staff of the Commission's Division of Enforcement engaged in settlement discussions with CS&Co., CSIM and Schwab Investments in connection with the above-described investigation. The discussions resulted in an agreed upon offer of settlement signed by authorized representatives of the Commission, CS&Co., CSIM and Schwab Investments. The Commission alleges that CS&Co. violated Section 17(a)(2) and (3) of the Securities Act, Section 15(f) of the Exchange Act, and aided and abetted and caused

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violations of Section 34(b) of the Investment Company Act of 1940 (“Company Act”); CSIM violated Section 17(a)(2) and (3) of the Securities Act, Section 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-8 thereunder, and Section 204A of the Advisers Act, and aided and abetted and caused violations of Sections 13(a), and 34(b) of the Company Act; and Schwab Investments violated Section 13(a) of the Company Act. The Commission subsequently issued an order instituting administrative and cease and desist proceedings against CS&Co., CSIM and Schwab Investments (“Administrative Order”).

CS&Co., CSIM and Schwab Investments neither admit nor deny the allegations in the Administrative Order except as to personal and subject matter jurisdiction, which they admit, and they consent to the entry of the Administrative Order. As negotiated by the parties, the Administrative Order, among other things, orders CS&Co. to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and (3) of the Securities Act and Section 15(f) of the Exchange Act, and from committing or causing violations and any future violations of Section 34(b) of the Company Act; orders CSIM to cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act, Sections 204A and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder, and from committing or causing violations and any future violations of Sections 13(a) and 34(b) of the Company Act; ordered Schwab Investments to cease and desist from committing or causing any violations and any future violations of Section 13(a) of the Company Act; censures CS&Co. and CSIM; and requires CS&Co., CSIM and Schwab Investments to comply with certain undertakings. A related civil judgment to be submitted simultaneously with the Administrative Order, and based on the same alleged violations, requires CS&Co. and CSIM collectively to pay a total of \$118,944,996 in disgorgement and penalties in to a Fair Fund pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002. CS&Co., CSIM and Schwab Investments have undertaken to correct all disclosures regarding its taxable bond funds’ concentration policy by reinstating disclosure of a 25% limit on investment in non-agency mortgage backed securities for purposes of its concentration policy; and to retain an independent consultant.

DISCUSSION

In 2005, the Commission revised the registration, communications, and offering processes under the Securities Act (the “Securities Offering Reform Rules”).¹ As part of the Securities Offering Reform Rules, the Commission added a new category of issuer. The Securities Offering Reform Rules defined a “well-known seasoned issuer” as, among other things, an issuer that is not subject to ineligible issuer status. The Commission also permitted, under Rules 164 and 433 of the Securities Act, the use of free-writing prospectuses by issuers that are not deemed ineligible issuers.

¹ Securities Offering Reform, Securities Act Release No. 8591, (Jul. 19, 2005), 70 FR. 44722 (Aug. 3, 2005).

Rule 405 of the Securities Act deems an issuer ineligible when, among other things:

“(vi) Within the past three years . . . , the issuer or any entity that at the time was a subsidiary of the issuer was made the subject of any judicial or administrative decree or order arising out of a governmental action that . . .

(C) Determines that the person violated the anti-fraud provisions of the federal securities laws.”²

Under Rule 405 of the Securities Act, SCHW would be deemed to be an ineligible issuer because CS&Co. and CSIM are the subject of an administrative order arising out of a governmental action that, among other things, orders CS&Co. and CSIM to cease and desist from violating Sections 17(a)(2) and (3) of the Securities Act, anti-fraud provisions of the federal securities laws.

Rule 405 of the Securities Act authorizes the Commission to determine: “upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer.”³ The Commission has delegated authority to the Director of the Division of Corporation Finance to make such determinations.⁴ We respectfully request that, effective upon entry of the Administrative Order, the Commission determine that under the circumstances it is not necessary that SCHW be considered an ineligible issuer for any purpose under the securities laws and the rules thereunder, including but not limited to the definition of “well-known seasoned issuer,” for the following reasons.

1. The Commission has, in similar circumstances, granted relief under Rule 405.⁵

² See Rule 405 (defining “ineligible issuer”).

³ *Id.*

⁴ Rule 30-1 provides in relevant part that “[p]ursuant to the provisions of Public Law No. 87-592 . . . , the Securities and Exchange Commission hereby delegates, until the Commission orders otherwise, the following functions to the Director of the Division of Corporation Finance to be performed by him or under his direction by such person...as may be designated from time to time by the Chairman of the Commission: [*Securities Act Functions*] (a) With respect to registration of securities pursuant to the Securities Act...(1) To authorize the granting or denial of applications, upon a showing of good cause, that it is not necessary under the circumstance that the issuer be considered an ineligible issuer as defined in Rule 405.” 17 C.F.R. § 200.30-1(a)(10).

⁵ See e.g., In the Matter of State Street Bank and Trust Company, SEC No-Action Letter (Feb. 4, 2010); In the Matter of J.P. Morgan Securities Inc., SEC No-Action Letter (Nov. 4, 2009); In the Matter of U.S. Pension Trust Corp., SEC No-Action Letter (Sept. 22, 2009).

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2. The conduct of CS&Co., CSIM and Schwab Investments addressed in the Administrative Order does not relate to activities undertaken by SCHW with respect to its own disclosures as an issuer of securities or in any of its own disclosures in its filings with the Commission.

In light of the foregoing, we believe that designating SCHW as an ineligible issuer under Rule 405 of the Securities Act would be contrary to the public interest, would not promote or enhance investor protection, and that they should not be deemed ineligible issuers upon issuance of the Administrative Order.

Accordingly, we respectfully request that, upon entry of the Administrative Order, the Division of Corporation Finance, on behalf of the Commission, determine that under the circumstances it is not necessary that SCHW be considered an "ineligible issuer" for any purpose under the securities laws and rules thereunder.

Please do not hesitate to contact me at (415) 393-2130 if you have any questions about this request.

Sincerely yours,


W. Hardy Calcott