

Christopher P. Gilkerson
Senior Vice President, Deputy General Counsel
Charles Schwab & Co., Inc.
211 Main Street
San Francisco, CA 94105

tel 415.667.0979 fax 415.667.1631

November 16, 2010

Via email to rule-comments@sec.gov; Attention: Elizabeth M. Murphy, Secretary

Jennifer McHugh
Senior Advisor to the Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

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

Dear Ms. McHugh:

As a follow-up to Schwab's prior comment letter of August 30,¹ and our meeting on October 12 with you other members of the Commission staff working on the Section 913 Study on the Obligations of Brokers, Dealers, and Investment Advisers, we conducted a survey of Schwab's retail customers to understand better their views about how they access investment advice. Based on our discussion with you and the staff, we believe the survey results give the Commission important data - from the voice of retail customers - to include in the study.

The survey results reflect the diversity of our customer base² and, we believe, the diversity of retail customers generally. Survey responses indicate that retail customers both need and value different ways to invest and receive advice, whether through an independent registered investment adviser or through their broker-dealer at the time they trade. New regulations implementing a best interest standard will promote investor protection, but only if new rules facilitate retail customer choice and preserve commission-based occasional non-discretionary advice without raising the cost or making it too cumbersome. This is particularly important for investors who may have relatively modest means to invest and cannot afford a typical investment advisory relationship but nonetheless need and deserve investing help.³

¹ See Schwab comment letter at <http://www.sec.gov/comments/4-606/4606-2670.pdf>

² Schwab has custody over more than \$1.5 trillion in assets maintained in over 9 million accounts, with over 40% of those assets custodied on behalf of more than 6,000 independent registered investment advisers and their clients. Schwab serves directly approximately 2.5 million retail households. Over 117,000 of them hold some \$90 billion in assets in at least one fee-based account.

³ Today at Schwab, for example, a retail customer before placing a trade can ask an investment professional to review their account, recommend an asset allocation plan that meets the customer's needs and risk profile, and receive investment recommendations all for \$33.95 for equity trades (or just \$8.95 if the customer places the trade online on their own), or for no sales charge at all for certain mutual fund trades. The trading commission and cost is the same, whether or not a retail customer requests investment advice on the trade.

Retail Customers Want and Need Different Types of Accounts and Fee Relationships for Advice.

As the attached table shows, 45% of Schwab retail customers report that they make investment decisions entirely on their own. 32% seek occasional investment advice, 5% maintain a managed account, and 18% maintain more than one type of account (e.g., a commission-based account for occasional advice, and a fee-based account for ongoing advice). One in every five (21%) of our customers prefer to maintain a combination of accounts: retaining the ability to receive commission-based advice in self-directed accounts while also having an account to pay a fee for ongoing advice. The vast majority (97%) said that it was important to them to continue to have a choice in the type of account they maintain and how they pay for advice and trades. Note that only 4% of retail customers with less than \$250,000 in assets have their accounts managed for them, with the majority (77%) preferring or requiring solely the pay-as-you-go model for advice and trades.

Retail Customers Don't Want Future Regulations to Burden or Limit the Access They Have to Advice Services Today.

With respect to disclosing potential conflicts of interest, 76% say that if financial services firms are required to provide potential conflict of interest information about how the firm and its employees are paid, posting that information on the firm's website would be an effective way to do so (with 18% unsure and only 6% disagreeing). Overall, 84% percent of our customers would be concerned if access to occasional investing advice became unavailable due to regulatory changes and higher costs. Notably, 45% of our retail customers report that they are fully self-directed, yet even a high percentage of them value being able to access occasional investing advice without a fee when and should they need it. A vast majority (90%) believe that it is important for all retail customers, no matter how much money they have to invest, to have access to investment advice from a financial services professional. A summary of the survey is attached.

We appreciate the concern and attention the Commission staff is giving to the important issues and questions to be addressed in the Section 913 study. We hope you will find this data from retail customers about their preferences, needs, and concerns to be a valuable input for your final report. Please call if you have any questions.

Very truly yours,



Christopher Gilkerson

Charles Schwab & Co., Inc. Client Survey	Total	Household Assets	
		<\$250K	\$250K+
<i>Which of the following best describes how you make decisions about your investments?</i>			
I make investment decisions entirely on my own	45%	45%	42%
I seek occasional advice on which securities to buy, sell or hold	32%	32%	33%
I have my account(s) managed for me, which includes ongoing investment advice	5%	4%	10%
I maintain more than one type of account to take advantage of different approaches to investing	18%	19%	15%
<i>Individual investors can pay a commission or transaction fee for each buy or sell trade, or they can pay a fee covering all trades and ongoing advice. Do you prefer...?</i>			
Commission or transaction fee per trade, including the option for advice on the trade	74%	73%	78%
Fee covering trades and ongoing advice (typically a minimum of \$500 per year or 1% of account assets)	5%	4%	8%
A combination—having one or more accounts under each arrangement.	21%	23%	14%
<i>Is having a choice in the type of account you have and how advice and trades are paid for...?</i>			
Very important	78%	78%	76%
Somewhat important	19%	19%	20%
Not at all important	3%	3%	4%
<i>If financial services firms are required to provide information about how the firm and its employees get paid, is posting that information on the firm's website an effective way to do so?</i>			
Yes	76%	77%	75%
No	6%	5%	8%
Not sure	18%	18%	17%
<i>If access to occasional investing advice from Schwab or other financial services firms (e.g., buy or sell recommendations) became unavailable due to regulatory changes and higher costs, would you be?</i>			
Very concerned	51%	49%	57%
Somewhat concerned	33%	35%	29%
Not at all concerned	16%	16%	14%
<i>How important is it to you that all people, regardless of how much or how little money they have to invest, have access to investment help and advice from a financial professional?</i>			
Very important	66%	69%	58%
Somewhat important	24%	22%	30%
Not at all important	10%	9%	12%
The email survey was fielded from Nov. 4 to Nov. 8, 2010 and was completed by 634 Schwab retail customers, each of whom resides in a household with over \$5,000 in account assets. This represents a total population of over 1.8 million retail customer households (with a household consisting of at least one retail customer). The margin of error is 3.97%.			