

THE ALLIANCE IN SUPPORT OF INDEPENDENT RESEARCH

c/o Pickard and Djinis LLP  
Attorneys at Law  
1990 M Street, N.W.  
Washington, D.C. 20036

Telephone  
(202) 223-4418

Telecopier  
(202) 331-3813

September 7, 2006

Ms. Nancy M. Morris  
Office of the Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

Re: FileNo.S7-13-06

Dear Ms. Morris:

The Alliance in Support of Independent Research (“Alliance”) is pleased to have this opportunity to comment on File No. S7-13-06, the Securities and Exchange Commission’s interpretive release with respect to client commission practices under Section 28(e) of the Securities Exchange Act of 1934 (the “Interpretive Release”).<sup>1</sup>

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<sup>1</sup> Members of the Alliance share a common interest in fostering a favorable regulatory environment in which research services and products may be furnished to the money management community, and in preserving the umbrella of protection Section 28(e) of the Securities Exchange Act of 1934 provides to fiduciaries who receive all forms of investment research.

The leading members of the Alliance in Support of Independent Research include the following broker-dealers:

Capital Institutional Services, Inc.  
Kristi P. Wetherington, President and CEO

E\*TRADE Capital Markets  
Ken Hight, Executive Vice President

*Footnote continued . . . .*

We are pleased to note that the Interpretive Release makes it clear once again that the Section 28(e) safe harbor applies equally to, and is necessary for, arrangements involving client commissions paid to full service broker-dealers for providing research services (*i.e.*, sometimes referred to as proprietary research arrangements) and third-party research arrangements where the research services and products are developed by third-party or independent sources and provided by the broker-dealer in exchange for client commissions.

Prior to the issuance of the SEC's Interpretive Release, a handful of mutual fund managers announced their intention to no longer obtain third-party or independent research while at the same time continuing to utilize their client commissions to obtain proprietary research. A few managers went so far as to announce publicly that they were not engaged in client commission arrangements while at the same time continuing to accept brokerage and research products and services through

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*Footnote continued . . . .*

The Interstate Group,  
A Division of Morgan Keegan & Company, Inc.  
Grady G. Thomas, Jr., President

Knight Equity Markets L.P.  
Joanne Mascellino, President, Donaldson & Co. Division

Westminster Research Associates, Inc.  
A BNY Securities Group Co.  
John D. Meserve, President

We believe our members are involved in a significant portion of the arrangements under which fiduciaries such as mutual funds, investment advisers, banks and other money managers are provided with independent research services and products for the benefit of their managed accounts.

Ms. Nancy M. Morris  
September 7, 2006  
Page 3

proprietary research arrangements. The SEC's Interpretive Release clarifies that such a position is not supportable.

In the Interpretive Release, the SEC reiterates its view that third-party research arrangements can benefit advised accounts by providing greater breadth and depth of research. The SEC notes that these arrangements can provide money managers with the ability to choose from a broad array of independent research products and services. Moreover, the Interpretive Release notes that a manager can use third-party arrangements to obtain specialized research that is particularly beneficial to the advised accounts.

We appreciate the SEC setting forth its views on the efficacy of third-party and independent commission-sharing arrangements, and are hopeful that the publication of the Interpretive Release will result in comparable and even-handed regulatory oversight in the inspection process of all research arrangements (proprietary and third party), full recognition by asset managers of independent research as an integral part of their research procurements in support of the investment decision-making process, and accurate disclosure of the manner in which client commissions are utilized to obtain research of all types.

Ms. Nancy M. Morris  
September 7, 2006  
Page 4

We would be pleased to answer any inquiry that the SEC or its staff may have regarding our comments. Please call Lee A. Pickard or William D. Edick at 202-223-4418 if you have any questions.

Sincerely,

The Alliance In Support Of Independent Research

By: Lee A. Pickard, Esq.  
William D. Edick, Esq.  
Pickard and Djinis LLP  
Counsel to The Alliance  
In Support Of Independent Research

cc: Hon. Christopher Cox  
Hon. Paul S. Atkins  
Hon. Roel C. Campos  
Hon. Annette L. Nazareth  
Hon. Kathleen L. Casey

Dr. Erik R. Sirri, Director  
Mr. Robert L.D. Colby, Deputy Director  
Ms. Joanne Swindler, Assistant Director  
Division of Market Regulation

Mr. Andrew Donohue, Director  
Mr. Robert E. Plaze, Associate Director  
Division of Investment Management