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November 5, 2010

VIA ELECTRONIC TRANSMISSION

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

Re: Mutual Fund Distribution Fees; Confirmations File No. S7-15-10 (Release No. IC-29367)

Dear Ms. Murphy:

We respectfully submit this letter in response to the request for comments by the Securities and Exchange Commission ("SEC") in its July 21, 2010 proposing release referenced above (the "Proposing Release").[1] The SEC proposed a new rule and rule amendments that would replace current Rule 12b-1 under the Investment Company Act of 1940, as amended.

We are pleased to have this opportunity to comment on the Proposing Release. We share many of the SEC's concerns regarding 12b-1 fees and recognize that Rule 12b-1 should be updated to reflect current market realities. However, we strongly support each of the positions of the Investment Company Institute ("ICI"), as articulated in its November 5, 2010 comment letter (the "ICI Comment Letter"), particularly its positions regarding (1) C Shares, the "reference load" and retirement plans with respect to the proposed ongoing sales charge, (2) the proposed marketing and service fee and (3) the proposed board guidance. Additionally, as more fully described below, we believe that the SEC should give further consideration to the impact of its proposal on the rebalancing of asset allocated portfolios.

<u>Information Regarding Russell</u>

Founded in 1936, Russell Investments is a global financial services firm that serves institutional investors, financial advisers and individuals in more than 40 countries. Through a combination of interlinked businesses, Russell delivers financial products, services and advice. Headquartered in Seattle, Washington and with offices in major financial centers worldwide, Russell has $149.3 billion in assets under management (as of September 30, 2010) in its mutual funds, retirement products and institutional funds, and is well recognized for its depth of research and quality of manager selection.

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1 *Mutual Fund Distribution Fees; Confirmations*, Investment Company Act Release No. 29367 (July 21, 2010).

Russell Investments

Russell Investment Management Company ("RIMCo") is an investment adviser registered with the SEC under the Investment Advisers Act of 1940. RIMCo is the principal investment adviser of each series of Russell Investment Company ("RIC") and Russell Investment Funds ("RIF" and together with RIC, the "Investment Companies"). The Investment Companies are open-end management investment companies registered as such under the Investment Company Act of 1940, as amended (the "1940 Act"). Each series of the Investment Companies (the "Russell Funds" or the "Funds"), except a money market fund, is a manager of managers fund operating pursuant to a manager of managers exemptive order.[2]

The Funds are offered through financial intermediaries, including registered investment advisers, broker-dealers, banks (including bank trust departments) and other financial services organizations that have been selected by the Funds' adviser or distributor ("financial intermediaries"). Most Funds are designed to provide a means for investors to obtain access to RIMCo's "multi-style, multi-manager diversification" investment method and to obtain RIMCo's and Russell's money manager research services.

<u>Asset Allocation Programs</u>

As discussed in the ICI Comment Letter, for many investors, particularly those with smaller amounts to invest, traditional Class C shares ("C Shares")[3] are the best available option to obtain the benefits of a flexible asset allocation account and the ongoing services of a financial professional. In particular, C Shares have gained popularity in asset allocation models because level load pricing allows investors and their brokers to reallocate investments without regard to the impact of commissions.

The Russell Funds' shares are often sold through asset allocation programs ("programs") offered by financial intermediaries. Pursuant to these programs, a financial intermediary recommends an asset allocation model commensurate with an investor's needs and periodically rebalances the investor's portfolio as necessary to maintain proper allocation among investments. Specifically, financial intermediaries often rebalance and/or reallocate investors' portfolios by redeeming shares of certain Russell Funds and buying shares of other Russell Funds, rather than through Russell Fund share exchanges. Currently, level load pricing allows investors and their financial intermediaries to reallocate investments without regard to the impact of commissions. The introduction of a wide variety of conversion schedules could change this dynamic. Under the current proposal, reallocations would "reset" the automatic conversion time period and ongoing sales charges applicable to reallocated assets. Thus, an investor who purchased C Shares of a

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2 SEC Release Nos. IC-21108 (June 2, 1995) (notice) and IC-21169 (June 28, 1995) (order).

3 As discussed in the Proposing Release, Class C shares typically charge a "level load" consisting of a 100 basis point 12b-1 fee that is imposed for as long as the investor owns the shares, and also may charge a small contingent deferred sales load of one percent if a shareholder redeems within the first year. The Russell Funds' Class C Shares charge a 75 basis point 12b-1 distribution fee and a 25 basis point shareholder services fee, but do not charge a contingent deferred sales load.

group of Funds on a particular date may remain subject to a sales charge for a longer period due to reallocation than if the shareholder remained invested in the same Funds without reallocation.[4]

Financial intermediaries' asset allocation portfolio trading platforms are typically distinct from their standard processing platforms, resulting in a conversion "reset" for shares bought as a result of a rebalancing trade in an asset allocated portfolio. Reconfiguring platforms to allow for these trades to be executed without a conversion "reset" would likely result in significant costs and pose burdensome administrative and logistical complexities. Therefore, if the proposal is adopted, financial intermediaries will likely turn away from C Shares for these types of accounts and smaller investors will lose an important option for obtaining the benefits of asset allocation and the ongoing services of a financial professional. Accordingly, we join the ICI in recommending that the SEC reconsider its proposal regarding ongoing sales charges in the asset allocation context.

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If the SEC or its staff wishes to discuss the matters mentioned in this letter, please contact Mary Beth Rhoden at 206-505-4846.

Sincerely,

Mary Beth Rhoden
Secretary and Associate General Counsel

4 We believe that this issue may not just be isolated to trades associated with rebalancing of asset allocated portfolios in that most intermediaries execute subscriptions and redemptions across funds as purchases and sales rather than as exchanges.