

I am deeply concerned about the new 12b-2 proposal before you. As a financial advisor affiliated with an independent broker-dealer, much of my personal income is obtained by charging fees for advice. However, many of my clients are middle-class investors without enough resources to afford fee for service. They and I agree they are better off in retail mutual funds where they typically pay a commission to buy and then a 12b-1 fee.

When beginning a relationship, prospective clients and I discuss their options of fee-based vs. commission based and the ways mutual funds charge. They understand that the ongoing 12b-1 fee is what allows me to afford to spend time with them rebalancing and maintaining their accounts years after the initial sales charge is forgotten. I am deeply concerned that, if you eliminate this fee, many small and medium-sized clients will not get the attention they deserve or, worse, unscrupulous advisors might be more likely to churn accounts to generate revenue.

My clients and I think the 12b-1 fee is a reasonable way for them to compensate me for ongoing support. In many cases, I have taken on clients who were sold funds by another rep. In these cases, the only compensation I receive is the 12b-1 and, if I did not receive that compensation, I literally could not afford to help those people.

Please seriously consider the following questions about the 12b-2 proposal. If you institute it, where will people go for honest help when the only way to honestly help them is to do so for free? Who will take them? Will they be better served saving .25% if it means they are on their own and that brokers taking them on have no financial incentive to help them unless they can find a way to justify moving to a new fund company? Won't that be worse for the customer than the present system.

I urge you, please do change the disclosure requirements to ensure people are clearly told they are paying a 12b-1. But don't do away with it. If customers don't want ongoing support, they should buy no-load funds with or without the help of a fee-based financial planner. But, for less-wealthy customers who want ongoing support, there should be a reasonable way for that customer to compensate the planner or advisor who is helping them in an ongoing way. No honest advisor can stay in the business for long unless he or she is compensated in some ongoing way by those who require ongoing support. No professional can be paid once and then support a customer for 20 years without future pay.

When compared with asset-based compensation of 1% or more, even many C-share 12b-1's can be seen as a bargain way for people to hire a professional. The .25% charged by most A-shares is an exceptional bargain when viewed through this lens. Is it your goal to force people who only need a review once or twice every year or two and who only need someone to call now and again to discuss their finances into fee-based arrangements where they will pay 1% or more per year instead of simply paying .25% in 12b-1. I assure you that will be the result for many people. Those whose accounts are too small to transition to fee-based will probably find themselves unable to find a competent rep. to take them.

Therefore, I respectfully submit for your review that, if you cut out the ongoing fee income generated by the 12b-1, you will be harming the very people you seek to help.

I appreciate this opportunity to share my thoughts on the proposal. While I support efforts to improve disclosure of marketing and service fees and ongoing sales charges, I urge the SEC to reconsider its ill advised efforts to cap sales charges and encourage retail price competition.

Sincerely,

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