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May 31, 2011

VIA EMAIL

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

RE: SR-FINRA-2011-018

Ms. Murphy,

United Services Automobile Association (USAA), on behalf of its FINRA member subsidiary USAA Investment Management Company (IMCO), appreciates the opportunity to provide its comments in response to the Securities and Exchange Commission's (SEC) notice and request for comments on Financial Industry Regulatory Authority's (FINRA) rule governing investment company securities (the Proposed Rule).¹ The Proposed Rule contains significant changes from the version previously posted by FINRA within Regulatory Notice 09-34 on proposed FINRA Rule 2341² regarding the regulation of FINRA members' activities in connection with the sale and distribution of registered investment company securities, to which USAA previously provided comment. In this comment response, USAA reiterates and expands upon its earlier comments, provided to FINRA in a separate comment letter on Regulatory Notice 09-34, dated August 3, 2009.

USAA is a membership-based association, which together with its family of companies, serves present and former commissioned and noncommissioned officers, enlisted personnel, retired military, and their families. USAA pursues a mission of facilitating the financial security of its members and their families by providing a full range of highly competitive financial products and services, including insurance, banking and investment products. IMCO, an indirect wholly owned subsidiary of USAA, is a registered investment adviser, a registered broker-dealer and the investment adviser and distributor of the USAA family of no-load mutual funds. USAA mutual funds are sold principally through USAA Financial Advisors, Inc. (FAI), also an indirect wholly owned subsidiary of USAA and a FINRA member. IMCO also provides a platform (customarily known as a "fund supermarket") on which third-party mutual fund shares are available for purchase by IMCO customers. Neither IMCO nor FAI representatives are compensated on the basis of the number of mutual funds sold.

¹ Notice of Filing of Proposed Rule Change and Amendment No. 1 to Adopt NASD Rule 2830 as FINRA Rule 2341 in the Consolidated FINRA Rulebook, SEC Rel. No. 34-64386, 76 Fed. Reg. 26779-87 (May 9, 2011).

² See FINRA Regulatory Notice 09-34 (June 2009).

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USAA generally supports efforts to provide the investing public with full and timely disclosure that enables them to make informed investment decisions. However, we do not believe the Proposed Rule fulfills that mission. USAA therefore joins SIFMA, the Investment Company Institute (ICI) and other commenters in the industry in requesting the SEC not adopt the Proposed Rule and instead undertake a re-evaluation in light of the complete legislative and regulatory landscape.

If the SEC decides to approve the Proposed Rule, USAA requests specific modifications. In particular, USAA believes that any final adopted rule should exclude those circumstances that do not present a conflict of interest, particularly when no compensation is paid to member representatives for the sale of fund shares, or where there is no recommendation of third-party mutual fund shares.

I. The Proposed Rule Should Exclude Payments that do not Pose a Conflict of Interest.

The Proposed Rule appears intended to address the potential conflicts of interest created by members receiving payments from mutual fund offerors, which could be an incentive for members and their associated persons to recommend certain funds to maximize their own compensation.³

Many member firms do not make recommendations with regard to mutual fund shares. Other member firms allow their registered representatives to make recommendations with respect to mutual fund shares, but do not compensate their registered representatives based on sales, including the sale of particular mutual fund shares.

USAA provides brokerage services to military service members and their families. As part of this service, USAA offers a fund supermarket that makes third-party mutual fund shares available for purchase. USAA's registered representatives are not compensated based on the sale of mutual fund shares, and as a general matter, do not make recommendations of third party mutual funds. In each of these instances, the receipt of payments does not give rise to a material conflict of interest between the registered representative and the investor. As a result, requiring additional point of sale disclosure does not seem to fulfill any legitimate regulatory purpose.

II. The Proposed Rule Should be Reconsidered in Light of the Complete Regulatory and Legislative Landscape.

USAA joins the ICI and SIFMA in their expression of concern related to the timing of the Proposed Rule. The adoption of the Proposed Rule's cash compensation disclosure obligation is duplicative of efforts separately underway, particularly the point-of-sale effort and the requirements of Sections 913 and 919 of the Dodd-Frank Wall Street Reform and Consumer Protection Act,⁴ as well as FINRA's own separate initiatives.⁵ The Proposed Rule may be duplicative of or conflict with, these other efforts, resulting in unnecessary member costs and investor confusion. In addition, undertaking these efforts in a piecemeal fashion would be counter to a clear and concise unified disclosure regime.

³ See NASD Notice to Members 03-54 (September 2003), which was substantively similar to the Proposed Rule and specifically stated a goal of addressing conflicts created by members receiving payments from a mutual fund offeror that might incentivize a recommendation and increase the member's or their associated person's compensation.

⁴ Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 §913 and §919 (2010).

⁵ See FINRA Regulatory Notice 10-54 (October 2010) and FINRA Regulatory Notice 11-08 (February 2011).

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III. FINRA has not Undertaken an Examination of the Costs and Benefits of the Proposed Rule.

While USAA appreciates the opportunity to provide its comments, as a procedural matter, USAA notes the short comment period associated with the Proposed Rule. USAA further notes the significant changes made to the Proposed Rule since the 2009 FINRA comment period closed two years ago, in connection with Regulatory Notice 09-34. Considering the long lag between Regulatory Notice 09-34 and the current Proposed Rule, the short comment period and the questions raised regarding the efficacy and breadth of the Proposed Rule, USAA believes additional time is warranted to consider the Proposed Rule's impact and ensure a sound result. For this reason, USAA believes that the interests of investors and members may be better served by allowing an additional opportunity for industry input on the substantial differences between Regulatory Notice 09-34 and the Proposed Rule.

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We would be happy to answer any questions you have about these comments.

Sincerely,

/s/ Christopher P. Laia

Christopher P. Laia
Vice President