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Submitted Electronically – EBSA.FiduciaryRuleExamination@dol.gov

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Office of Exemption Determinations
Employee Benefits Security Administration
(Attention: D-11933)
U.S. Department of Labor
200 Constitution Avenue NW
Suite 400
Washington, DC 20210

Re: Request for Information (RIN 1210-AB82)

Dear Sir or Madam:

Charles Schwab & Co., Inc., (“Schwab”)¹, on behalf of itself and its affiliates, appreciates the opportunity to provide comments to the Department of Labor (“Department”) in response to its Request for Information published on July 6, 2017 (“RFI”). Schwab welcomes the Department’s examination of the final rule (“Rule”) defining who is a “fiduciary” of an employee benefit plan for purposes of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Internal Revenue Code of 1986 (“Code”), as a result of giving investment advice for a fee or other compensation with respect to assets of a plan or IRA. Schwab applauds the Department for including as part of its examination the new and amended administrative class exemptions (“PTEs”) that were published in conjunction with the Rule. Schwab continues to support the goal of ensuring that retirement savers who seek advice receive best interest investment advice from the investment professionals who serve them. We are pleased to share our ideas for improving the PTEs by extending streamlined relief to firms that compensate representatives through neutral compensation plans, expanding access to streamlined relief for asset based fee advisers, and substituting a new and

¹ The Charles Schwab Corporation provides services for retirement and other benefit plans and accounts, as well as to the participants and beneficiaries in those plans and to the account owners, through its separate but affiliated companies and subsidiaries, including Charles Schwab & Co., Inc., Charles Schwab Bank, and Schwab Retirement Plan Services, Inc. Brokerage products and services are offered by Charles Schwab & Co., Inc. (Member SIPC). Trust and custody products and services and deposit products are offered by Charles Schwab Bank. Schwab Retirement Plan Services, Inc. provides recordkeeping and related services with respect to retirement plans and the participants in those plans. Charles Schwab Investment Management, Inc., a separate affiliate, is the investment advisor for Schwab's proprietary funds.

simplified Best Interest Advice Exemption for the Best Interest Contract Exemption² (“BIC Exemption”).

Schwab is one of the largest financial institutions in the United States with over \$3.04 trillion under custody. Schwab’s business model offers high-value, low-cost investment services to retirement savers and the independent investment advisors, employers, and plan administrators who serve them. Together with its affiliates, including Charles Schwab Bank and Schwab Retirement Plan Services, Inc., Schwab provides a full range of advisory, brokerage, recordkeeping and trust/custodial services for retirement plans, participants and beneficiaries, and IRA owners. Schwab’s affiliates Charles Schwab Investment Management, Inc. and Charles Schwab Bank offer mutual fund, exchange traded fund and collective trust fund investment vehicles.

Schwab serves a wide range of retirement savers including 3.4 million IRAs in our retail business alone. A majority of our clients are self-directed investors who rely on online tools, research, and education to make their own informed investment decisions. However, a substantial and growing number seek occasional or ongoing investment advice from Schwab and we rely on the current version of the BIC Exemption for many of these recommendations. In our retail business we offer access to investment advice to all investors no matter the size of their accounts, and we have no plans to limit that access. In addition, over 7,500 independent registered investment advisers and their clients choose Schwab to custody their brokerage and retirement accounts and to provide trading and investment services. We anticipate that nearly all of these independent advisers will rely on the BIC Exemption (including the Level Fee Fiduciary provisions) when it comes to giving rollover advice.

I. Summary of Concerns and Proposals

We continue to support the Department’s efforts to protect retirement savers and find that many aspects of the Rule are manageable and consistent with the policy goal of protecting retirement savers. However, we urge the Department to work closely with the SEC to develop a consistent standard of conduct and disclosures for investment advice to investors in both taxable and retirement accounts. This would avoid confusion and inconsistency in how firms serve investors in all aspects of their financial health.

With respect to the BIC Exemption, we are concerned that full implementation of the January 1, 2018 requirements would provide a negligible benefit to Retirement Investors³ that would not justify the additional cost, complexity and administrative burden on Financial Institutions, nor the added paper and confusion to which Retirement Investors would be subject. Sometimes simpler is better. The Impartial Conduct Standards, coupled with a general requirement to have policies and procedures to assure compliance with it, and a straight-forward disclosure regarding a Financial Institution’s potential conflicts of interest should be sufficient.

We are also concerned that too many asset based fee advisers – already fiduciaries under ERISA and the Investment Advisers Act when it comes to their discretionary management of retirement assets –

² 81 Fed. Reg. 21002 (April 8, 2016).

³ Except as otherwise defined in this letter, capitalized terms will have the meaning set forth in the BIC Exemption.

will fail to qualify for the streamlined relief available for Level Fee Fiduciaries due to business arrangements that, while permitted under ERISA, are deemed to pose conflicts.

Our comments below are organized to respond to particular RFI questions and to address the above concerns. We start with an overview of Schwab's recent actions to comply with applicable provisions of the Rule and PTEs to date, followed by proposals to:

- A. Create new streamlined relief for Financial Institutions that compensate their representatives through a Neutral Compensation Plan which does not incent a fiduciary adviser to recommend one investment over another.
- B. Expand the streamlined relief for Level Fee Fiduciaries to include more discretionary investment managers that charge an asset based fee.
- C. In place of the full BIC Exemption, substitute a new Best Interest Advice Exemption which eliminates the specific contract requirements and simplifies the transaction-related and Web site disclosures.

We conclude our comments with responses to several other questions in the Department's RFI.

II. Responses to RFI Questions and Schwab Proposals

RFI Question #2:

What has the regulated community done to comply with the Rule and PTEs to date, particularly including the period since the June 9, 2017, applicability date? Are there market innovations that the Department should be aware of beyond those discussed herein that should be considered in making changes to the Rule?

Schwab has taken numerous steps to date to ensure compliance with the Rule and the BIC Exemption. This includes acknowledgement of fiduciary status when giving investment advice to Retirement Investors through a disclosure titled "Investment Advice in Retirement Accounts" which is available to the public on our Web site. Our disclosure explains the Impartial Conduct Standards Schwab and our representatives follow when advising our Retirement Investor clients along with other important information about our advice. We aligned our compensation plans for our representatives who give investment advice to the neutral factors articulated in the BIC Exemption and, consistent with our practice for many years, disclose the key elements of those plans on our Web site where we describe "Investment Professionals' Compensation." We also updated the "Schwab Compensation" section of our Web site to make it even easier to understand our conflicts of interest.

Schwab completed all of these compliance initiatives on or before June 9, 2017. Since that time Schwab has continued working diligently to meet the January 1, 2018, BIC Exemption requirements. However, there are a number of key interpretative questions which must be resolved before the new requirements go into effect, as we discuss in the next section. Given that the deadline is now less than five months away, we add our voices to those that have urged the Department to issue a delay

as quickly as possible so that Financial Institutions may have reasonable opportunity to work with the Department on resolving open questions and completing the necessary process and technology changes.

RFI Question #4:

During the transition period from June 9, 2017, through January 1, 2018, Financial Institutions and Advisers who wish to utilize the BIC Exemption must adhere to the Impartial Conduct Standards only. Most of the questions in this RFI are intended to solicit comments on the additional exemption conditions that are currently scheduled to become applicable on January 1, 2018, such as the contract requirement for IRAs. To what extent do the incremental costs of the additional exemption conditions exceed the associated benefits and what are those costs and benefits? Are there better alternative approaches? What are the additional costs and benefits associated with such alternative approaches?

We agree with the Department's view that Financial Institutions providing advice to Retirement Investors should disclose basic information about their conflicts of interest and the cost of their services. However, key requirements of the BIC Exemption which require firms to create and deliver additional and often duplicative disclosures are costly, needlessly burdensome and complex for firms and their clients alike, and will yield no additional tangible benefit to Retirement Investors. We have estimated that the transaction-specific and Web site disclosures – depending on the DOL's interpretation of the specificity of the requirements – could cost Schwab many millions of dollars to build and maintain. More importantly, we do not believe that the additional and duplicative disclosures will result in better information for Retirement Investors than what they receive today, as enhanced by recent changes we made in response to the June 9 requirements. Rather than stay the course, we urge the Department to consider reasonable alternatives for firms who accept their fiduciary obligations and have taken steps to neutralize or level their compensation either at the individual fiduciary adviser or firm level.

To that end, below we: (A) outline a new exemption based on neutral compensation paid to the fiduciary adviser who actually gives the investment advice, (B) suggest modifications to the Level Fee Fiduciary provisions to assure that this streamlined exemption is appropriately available to independent registered investment advisers, and (C) identify key problems with the "full" BIC Exemption and how to resolve them under a new Best Interest Advice Exemption.

A. Create new streamlined relief for Financial Institutions that compensate representatives through a Neutral Compensation Plan which does not incent a fiduciary adviser to recommend one investment over another.

The BIC Exemption was conceived with the purpose of ensuring Retirement Investors receive "unbiased" advice. The best way to accomplish this goal is to remove incentives for an individual fiduciary adviser to favor one recommendable product or service over another. In the BIC Exemption the Department addressed this goal largely through mandatory contractual warranties regarding policies and procedures about how Financial Institutions pay their representatives. However, rather than forcing contractual warranties, Schwab proposes creating new streamlined relief for Financial Institutions that adopt and compensate representatives through a Neutral

Compensation Plan which is defined in much the same way as Section II(d)(3) of the BIC Exemption currently reads. Our proposed definition below shows changes to the current Section II(d)(3) of the BIC Exemption text in redline:

~~The Financial Institution's policies and procedures require that~~ A “Neutral Compensation Plan” includes any compensation plan or arrangement between a Financial Institution and registered representatives acting as Advisers on its behalf where neither the Financial Institution nor (to the best of its knowledge) any Affiliate or Related Entity use or rely upon quotas, appraisals, performance or personnel actions, bonuses, contests, special awards, differential compensation or other actions or incentives that are intended or would reasonably be expected to cause Advisers to make recommendations that are not in the Best Interest of the Retirement Investor. Notwithstanding the foregoing, this Section ~~II(d)(3)~~ does not prevent the Financial Institution, its Affiliates or Related Entities from providing Advisers with differential compensation (whether in type or amount, and including, but not limited to, commissions) based on investment decisions by Plans, participant or beneficiary accounts, or IRAs, to the extent that the Financial Institution’s policies and procedures and incentive practices, when viewed as a whole, are reasonably and prudently designed to avoid a misalignment of the interests of Advisers with the interests of the Retirement Investors they serve as fiduciaries (such compensation practices can include differential compensation based on neutral factors tied to the differences in the services delivered to the Retirement Investor with respect to the different types of investments, as opposed to the differences in the amounts of Third Party Payments the Financial Institution receives in connection with particular investment recommendations).

The Neutral Compensation Plan must cover all recommendable products a firm offers because representatives shouldn’t be motivated to recommend one type of product over another merely because of the compensation paid to the representative. For this reason Schwab believes relief specifically for “clean” shares, or any other specific product, would be inappropriate. Without an overall neutral compensation policy, such as the Neutral Compensation Plan Schwab proposes herein, the use of clean shares only solves the conflict for recommending among mutual funds. It does not address conflicts between mutual funds and other products. In this way clean shares are a means to an end to enable a firm to pay neutral compensation across all product categories but, standing alone, would not warrant a streamlined exemption.

We believe that removing incentives to recommend one like product or service over another because of the differential product revenue the Financial Institution itself makes is the most powerful way to ensure Retirement Investors receive advice which is unbiased and in their best interest. At Schwab we adopted a Neutral Compensation Plan that groups products and services in different categories based on non-revenue factors of time, complexity, and expertise to assess, recommend, and service, so that our representatives are insulated from the firm’s potential conflicts of interest that arise from different revenue streams. Those different revenue streams result from a marketplace that offers tens of thousands of different mutual funds, ETFs, stocks, bonds, annuities, and cash investments from thousands of different issuers and manufacturers. Once a representative’s financial incentives are

uncoupled from those of his or her employer, it enables the representative to focus on giving investment advice in a client's best interest.⁴

In addition to adoption of a Neutral Compensation Plan, this streamlined exemption could require (1) an accurate disclosure of material elements of the compensation plan initially and once a year to Retirement Investor clients, (2) publication of that disclosure on a firm Web site available to the public, (3) records documenting and substantiating the neutral compensation approach (for example, based on time, complexity, and expertise necessary to make an assessment and recommendation and/or provide ongoing service), and (4) policies and procedures to assure the above requirements are met. It should be as straight-forward, and as principles-based as that.

We encourage the Department to adopt this streamlined approach for firms who decouple their product-specific revenue from how they pay their representatives entrusted to act in their clients' best interest. This exemption approach would mitigate the risk of unbiased advice while avoiding cumbersome and costly contract delivery, and product-by-product and transaction-by-transaction disclosures found elsewhere in the BIC Exemption.

B. Expand the streamlined relief for Level Fee Fiduciaries to include more advisors that charge an asset based fee.

Streamlined relief for asset based fee advisers is a sensible approach for advisers – especially discretionary investment managers – who only occasionally require BIC Exemption relief⁵. But many advisers worry that they must give up long-standing business practices which are permitted under ERISA, such as revenue sharing and soft-dollar arrangements, in order to qualify for the streamlined relief. We urge the Department to address this concern by abandoning its narrow interpretation of a “Level Fee Fiduciary” which needlessly limits the availability of this streamlined relief. Instead, we propose expanding the definition of a Level Fee Fiduciary so that Level Fee Fiduciaries may receive Third Party Payments so long as the receipt of the Third Party Payments does not result in a prohibited transaction for which no exemption is available.

Many asset based fee advisers today rely on long-standing guidance from the Department on using fee-offset arrangements to avoid prohibited transactions. In Advisory Opinion Nos. 97-15A and 2005-10A, the Department explained that a fiduciary investment adviser could provide investment advice to a plan about investment funds that pay it or an affiliate additional fees without engaging in a prohibited transaction if those fees are offset against fees that the plan otherwise is obligated to pay to the fiduciary. Fee based advisers often rely on Prohibited Transaction Class Exemption 77-4 for the receipt of Third Party Payments by the adviser and its affiliates from affiliated mutual funds.

⁴ We note that our proposal is consistent with approach under ERISA Section 408(g) which allows affiliates to receive varying levels of compensation so long as the “fiduciary adviser’s” compensation does not vary based on the investment option selected.

⁵ Some may question whether requiring specific documentation for rollover advice undermines the goal of providing streamlined relief. For example, expense information for thousands of employer-sponsored plans is difficult to obtain and in many cases seeking out this information unnecessarily delays a rollover advice recommendation. We support eliminating these documentation requirements. Since Level Fee Fiduciaries already must adhere to Impartial Conduct Standards when recommending rollovers – just as other fiduciaries relying on the full BIC Exemption must do – the Department could eliminate specific documentation requirements without disadvantaging Retirement Investors who work with a Level Fee Fiduciary.

Some advisers rely on ERISA Sections 408(b)(14) and 408(g) for the receipt of Third Party Payments by their affiliates. In as much as Third Party Payments in these situations do not result in nonexempt prohibited transactions under ERISA Section 406(b), which ought to be the measure of a conflict of interest, we see no valid reason for denying these advisers access to streamlined relief as Level Fee Fiduciaries.

Many asset based fee advisers have technology and similar “benefit” agreements with custodians and brokers. Under these arrangements Financial Institutions offer access to technology, seminars, educational materials and similar benefits based on an adviser’s overall relationship with the firm. In cases where the benefits an adviser receives are not measured with reference to any particular account or dependent on the exercise of fiduciary discretion by the adviser, the receipt of these benefits should not preclude treatment as a Level Fee Fiduciary. We urge the Department to expand the definition of Level Fee Fiduciary to permit the receipt of this incidental and de minimis compensation.

A new definition of Level Fee Fiduciary addresses these concerns. Our proposed definition below shows changes to the current BIC Exemption text in redline:

(h) A Financial Institution and Adviser are “Level Fee Fiduciaries” if the ~~only~~ feecompensation received by the Financial Institution, ~~and~~ and the Adviser and any Affiliate in connection with advisory or investment management services to the Plan or IRA assets is a Level Fee that is disclosed in advance to the Retirement Investor. A “Level Fee” is a fee or compensation that is provided on the basis of a fixed percentage of the value of the assets or a set fee that does not vary with the particular investment recommended, rather than a commission or other transaction-based fee. The receipt of compensation by a Financial Institution or any Affiliate from a third party in connection with investment management services to the Plan or IRA assets is not part of a “Level Fee” unless (i) a prohibited transaction exemption is available for relief from Section 406(b)(3) of the Act and Section 4975(c)(1)(F) of the Code and the Financial Institution meets the exemption’s requirements, (ii) the Financial Institution avoids a prohibited transaction as described in Advisory Opinion Nos. 97-15A and 2005-10A, (iii) the compensation is paid without regard to investment management decisions by the Financial Institution or Adviser, or (iv) the value of the compensation, when compared to the overall fee charged by the Financial Institution, is small enough that a reasonable person would conclude that the compensation will not affect the exercise of the Financial Institution’s best judgment in rendering investment management services.

C. Substitute a new and simplified Best Interest Advice Exemption in place of the BIC Exemption to require only compliance with Impartial Conduct Standards, Documentation of Policies and Procedures to Meet those Standards, and Written Disclosure of a Financial Institution’s Material Conflicts of Interest.

The contract and disclosure regime set-up by the BIC Exemption provisions currently applicable January 1, 2018 will be difficult if not impossible to implement.⁶ Requiring firms to create and maintain new disclosures and to provide additional and often duplicative disclosures is costly, needlessly burdensome and will yield no additional tangible benefit to Retirement Investors. The costs associated with these requirements, which range from “acceptable under the circumstances” to clearly unjustifiable, hinge largely on as yet unanswered interpretative questions. We suggest abandoning these burdensome and unnecessary disclosure requirements in favor of a more simplified Best Interest Advice Exemption.

Key Concerns with January 1, 2018 Requirements

- Costs, fees and other compensation – Sections II(e)(3), III(a)(2) and IV(b)(3) require Financial Institutions to provide specific disclosure of costs, fees and other compensation associated with a recommended transaction upon request from a Retirement Investor. This information is already available to Schwab clients, but it remains unclear whether firms may continue to leverage existing disclosures to provide this information or whether firms must create a brand new custom disclosure for each investment available at the firm. Schwab estimates it will cost many millions of dollars to create and provide a brand new disclosure. Clearly this cost far outweighs any benefit Retirement Investors might receive from what amounts essentially to reformatting fee information which is already readily available to our Retirement Investor clients.

Public Web Site – Today Schwab’s public Web site offers retirement savers a trove of information which we believe adequately informs investors about Schwab’s conflicts of interest and satisfies most of the Web disclosure requirements in Section III(b) of the BIC Exemption. We are concerned, however, about the excessive costs associated with a narrow reading of Section III(b)(v) which requires “a list of all product manufacturers...” along with detailed information about the arrangements between the Financial Institution and the product manufacturers.

We estimate it will cost many millions of dollars to build and maintain a CUSIP-specific database to show the precise arrangement between Schwab and each of the product manufacturers we make available to our clients. Reconstructing our Web site to meet this narrow reading will not make the information more meaningful for clients.

Transaction Disclosure – Section III(a) requires providing a “transaction disclosure” to a Retirement Investor prior to or at the time of the recommended transaction. “The pre-transaction disclosure repeats certain information in the contract disclosure to ensure that the Retirement Investor has received the information sufficiently close to the time of the transaction, when the information is most relevant⁷.” If the transaction disclosure merely repeats information from the contract disclosure it should follow that a firm may satisfy this

⁶ We note that The DOL estimated it would cost the industry \$2.4B in start-up costs and another \$520 million in annual costs to comply with the contract, disclosure, procedural and related IT requirements as a bundle, and the industry argued this under-estimated the cost by several magnitudes.

⁷ 81 Fed. Reg. at 21045 (April 8, 2016).

requirement by handing the (updated) contract disclosure to the Retirement Investor whenever the BIC Exemption requires delivery of a transaction disclosure. However, we are aware that some firms read this as a requirement to provide a more detailed disclosure that is tailored specifically for each investment. It is unnecessary to bombard Retirement Investors with the same conflict of interest information over and over merely to serve as a “reminder.”

Proposed Simplification of the BIC Exemption through a new Best Interest Advice Exemption

Without undermining at all the protection of retirement savers, Schwab recommends a new Best Interest Advice Exemption as a simplified alternative to the BIC Exemption. Our Best Interest Advice Exemption proposal requires Impartial Conduct Standards, a written disclosure describing the best interest standard and a Financial Institution’s and its representatives Material Conflicts of Interest, and a requirement that a firm maintain policies and procedures and records documenting the above. This approach eliminates the unnecessary contract requirement and provides a sensible framework for disclosing conflict of interest information.

Impartial Conduct Standards and Related Procedures – We support the Impartial Conduct Standards as contained in Section II(c) of the BIC Exemption today and think it should continue. Instead of contractual representations and warranties, however, the exemption should simply require that Financial Institutions document policies, procedures, supervision and training to assure that the standards are met. That straight-forward approach, coupled with a more streamlined disclosure requirement, will assure that prudential regulators as well as retirement savers and their representatives have enough information to monitor whether firms are living up to the standard.

Written Disclosure – We suggest simplifying the BIC Exemption disclosure requirements by replacing the contract disclosures in Sections 2(a), (d), (e), the transaction disclosures in Section 3(a) and the Web site disclosures in Section 3(b), with a single written document which contains substantially similar disclosure elements to those required for transition relief in Section IX of the BIC Exemption as it was published on April 8, 2016. Specifically, we propose the following disclosures:

- An affirmative statement of fiduciary status.
- A description of the Impartial Conduct Standards firms and representatives will follow in making investment advice recommendations.
- A description of the Financial Institution’s Material Conflicts of Interest as currently defined in the BIC Exemption.
- A description of the Financial Institution’s compensation practices.
- If applicable, that the Financial Institution offers Proprietary Products or receives Third Party Payments with respect to any investment recommendations; and to the extent the Financial Institution or Adviser limits investment recommendations, in whole or part, to Proprietary Products or investments that generate Third Party Payments.

An upfront disclosure of the above information addresses the need for Retirement Investors to understand the nature of the relationship and the magnitude of a Financial Institution's conflicts of interest, while minimizing costs and unnecessary procedural hurdles on Financial Institutions and their clients. This approach will also enable future harmonization with SEC disclosure requirements and will be much simpler for retirement savers to digest and to compare firms.⁸

RFI Question #5:

What is the likely impact on Advisers' and firms' compliance incentives if the Department eliminated or substantially altered the contract requirement for IRAs? What should be changed? Does compliance with the Impartial Conduct Standards need to be otherwise incentivized in the absence of the contract requirement and, if so, how?

Schwab believes that eliminating the contract requirement, and the contractual warranties, will have no impact on a firm's compliance incentives but will have a dramatic impact on potential frivolous litigation expenses. Schwab and other financial services firms are highly regulated already and subject to extensive oversight. We believe a contract is unnecessary because the current enforcement mechanism under ERISA's regulatory regime already exists to enforce the provisions of ERISA and provide a remedy in the event that the Department's exemptions and other regulatory guidance are not followed.

The contract requirements for policies and procedures are also unnecessary. As a practical matter, all regulated financial services firms maintain policies and procedures to ensure that firm representatives act consistently with business objectives and legal requirements. Whether or not a new contractual obligation exists to establish policies and procedures to ensure compliance with the BIC Exemption, Schwab is going to have in place policies and procedures designed to ensure the firm's compliance.

While we see little benefit for an individual Retirement Investor from retaining the contract requirement in the BIC Exemption, we see a likely uptick in class action litigation expenses premised on alleged failures of a firm's policies and procedures. Schwab encourages the Department to eliminate this requirement from the BIC Exemption because it provides no discernable benefit to Retirement Investors but opens the door to needless litigation expenses for firms like Schwab.

RFI Question #11:

If the Securities and Exchange Commission or other regulators were to adopt updated standards of conduct applicable to the provision of investment advice to retail investors, could a streamlined exemption or other change be developed for advisers that comply with or are subject to those

⁸ We note that as part of Schwab's existing conflict of interest management program we include disclosures today on our public Web site which inform investors about how Schwab is compensated, explain policies that govern the advice that our representatives give clients, and inform Retirement Investors about our fiduciary status (when giving investment advice recommendations) and how we follow Impartial Conduct Standards when giving investment advice. We also include a description of the guidelines Schwab representatives must follow when giving investment advice.

standards? To what extent does the existing regulatory regime for IRAs by the Securities and Exchange Commission, self-regulatory bodies (SROs) or other regulators provide consumer protections that could be incorporated into the Department's exemptions or that could serve as a basis for additional relief from the prohibited transaction rules?

Broker-dealers, investment advisers, banks and insurance brokers are highly regulated businesses which by law may only offer products and services to the public in compliance with the guidance from their “prudential regulators.” Schwab supports streamlined relief from the BIC Exemption for firms that provide fiduciary investment advice while under the supervision of a prudential regulator. Streamlined relief should be conditioned on full compliance with the relevant guidance from each prudential regulator.

III. Conclusion

Retirement savers are entitled to investment advice in their best interest at a reasonable price. We support the Department’s objective to assure this basic fiduciary protection. Schwab’s proposed changes to the BIC Exemption, including expanded streamlined relieve for Level Fee Fiduciaries and firms who pay their representatives Neutral Compensation are designed to maintain protection for retirement savers from conflicts of interest while avoiding unnecessary costs and complexity for advice providers who serve them.

Schwab appreciates the opportunity to comment on the RFI. We welcome the opportunity to work with the Department more on this critically important initiative, and would be pleased to respond to questions or provide any additional information. Should you have any questions, please contact the undersigned directly.

Very truly yours,



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