Christopher P. Laia
Vice-President
FASG
General Counsel
(210) 498-4103

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VIA EMAIL

Ms. Marcia E. Asquith
Senior Vice President and Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, D.C. 20006-1500

Ms. Asquith,

United Services Automobile Association (USAA) appreciates the opportunity to provide its comments in response to the request for comments by the Financial Industry Regulatory Authority (FINRA) in Regulatory Notice 09-34 on proposed FINRA Rule 2341 (the Proposed Rule) regarding the regulation of FINRA members' activities in connection with the sale and distribution of registered investment company securities.

USAA is a member-owned association that seeks to facilitate 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. USAA Investment Management Company (IMCO), an indirect wholly owned subsidiary of USAA, is a FINRA member, a registered investment adviser, a registered broker-dealer and serves as 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. Neither IMCO nor FAI representatives are compensated on the basis of the number of mutual funds sold.

The Proposed Rule attempts to achieve the goal of investor protection through a two-pronged regulation of broker-dealers directly and registered investment companies indirectly. USAA believes that the Proposed Rule imposes undue costs on mutual fund sponsors that also serve as distributors of their funds, without providing a definitive benefit to investors, and therefore, should not be enacted as drafted. If FINRA nevertheless decides to move forward with the Proposed Rule, we request that the Proposed Rule be amended to include a carve-out for broker-dealers that do not pay direct commissions to registered representatives, such as, for example USAA, whose broker-dealer representatives are not compensated based on the funds being sold.

Our letter discusses the Proposed Rule in relation to registered investment companies and broker-dealers, in turn below.

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In an effort to simplify prospectuses and enhance disclosures for mutual fund investors, the U.S. Securities and Exchange Commission (SEC) adopted amendments to Form N-1A and related rules under the Securities Act of 1933 and the Investment Company Act of 1940.[1] The Release directly addressed the conflict of interest at issue in the Proposed Rule by requiring registered investment companies that pay compensation to broker-dealers to include the following statement:

> *Payments to Broker-Dealers and Other Financial Intermediaries.*
> If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's Web site for more information.

In the Release, the Commission explained that the disclosure is intended to "identify the existence of compensation arrangements with selling broker-dealers or other financial intermediaries, and alert investors to the potential conflicts of interest arising from these arrangements." The imposition on registered investment companies of the additional disclosure requirements in the Proposed Rule is unnecessarily duplicative in light of the SEC's specific consideration of this issue.

The additional obligations on FINRA members are not appropriate given the existing centralized disclosure within the mutual fund prospectus. Asking investors to look to multiple locations, i.e., the prospectus, the broker-dealer website and the information provided at the time the account is opened, would merely add to investor confusion and FINRA member costs. The requirement to provide information upon the account opening is not likely to result in effective disclosure to the customer because there is likely to be a significant time lag between account opening and purchase of the subject security. By comparison, the prospectus always is delivered concurrent with the purchase of the security.

In summary, because registered investment companies already have to follow a regimented regulatory structure and already are required to disclose much of the information included within the Proposed Rule, the requirements of the Proposed Rule aimed at registered investment companies should not be enacted as they do not provide a benefit commensurate with their cost. Further, because broker-dealers' relationships with registered investment companies and the potential conflicts inherent therein are already disclosed in a centralized and more effective manner, and because the burdens imposed would be too costly and potentially duplicative of existing efforts, the requirements of the Proposed Rule applicable to broker-dealers should not be enacted.

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

Sincerely,

Christopher P. Laia
Vice President FASG Counsel
/s/ Christopher P. Laia

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[1] SEC Release Nos. 33-8998 and IC-28585 (the Release).