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March 17, 2017

Office of Regulations and Interpretations
Employee Benefits Security Administration
Attn: RIN 1210-AB79; Fiduciary Rule Examination, Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

RE: RIN 1210-AB79; Fiduciary Rule Examination

Ladies and Gentlemen:

Morningstar, Inc. welcomes the opportunity to comment on the proposed delay of the Conflict of Interest Rule applicability date. We believe that the short delay may be helpful, particularly for asset managers, who are in the process of creating new share classes to help broker/dealers comply with the rule.

A delay of 60 days could help asset managers successfully roll out new T (transactional) share classes before the applicability date. T shares provide commission-based financial advisors a way to comply with the rule. We anticipate that mutual fund companies will eventually issue more than 3,500 new T shares of existing funds, with a uniform load structure that is generally lower than for A shares. These T shares will, therefore, help some lower-wealth investors save more of their money for retirement, as these investors are otherwise the most likely to pay the maximum sales charges. Further, these T shares will remove inducements to favor one investment over another because of higher commissions, as the loads will be uniform.

To ensure that financial advisors can sell T shares on the applicability date of the rule, a delay would be helpful. As it stands, mutual fund companies would need to file T shares with the SEC by Feb. 28 and have these classes in operation for the entire month of March to be listed with extended Morningstar performance information and ratings as of April 10, 2017. Because many mutual funds have yet to file their T shares, we anticipate that the great majority of T shares will not be readily available by early April, leading to a period of confusion, during which a) some T shares will have extended performance information and ratings; b) most will have little or no performance history, making them ineligible for offer to investors; and c) broker/dealers may continue to offer A shares, rather than T shares, which were specifically designed to facilitate compliance with the rule.

A delay of the applicability date of the rule until June 9, 2017, would enable mutual fund companies to complete their filings of T shares, allow the SEC to review and approve these new filings in its normal time frame, and provide sufficient time for each share class to be operational long enough to acquire an extended performance history and associated ratings. With that delay, broker/dealers could then offer clients T shares starting on the applicability date, without having to substitute A shares as a proxy in their own selection of funds or displays to clients.

Thank you again for the opportunity to comment. We look forward to submitting a separate comment letter to help the department with its examination detailing the early evidence we have observed on the market responses to the final rule and addressing the questions posed in the President's Memorandum.

Very truly yours,

Aron Szapiro
Director of Policy Research
Morningstar, Inc.