

As an advisor who works with a large number of municipal clients, please consider my following remarks:

I. Due to the complexities found within the proposed Regulation B document, I will caveat my comments by beginning with the phrase “if relevant”. If relevant, and grandfathering is applicable to existing custody relationships, which are holding money market funds with 12 b-1 fees, then they should not be part of the grandfathering.

Rationale: Existing relationships should not be penalized in the form of higher expenses because they had already invested in these funds, when new relationships would not be exposed to the higher fees. Lowering fees, or rebating them if more convenient, would not be an inconvenience, as in not being able to purchase securities as may have been traditionally done through their custodian.

Secondly, if a bifurcated fee structure were employed, the administrative cost would only be passed on in higher administrative costs, again paid by the client of the custodian.

II. Fee structures on funds are often difficult to determine, and I feel that this is often by design.

Please create a standardized reporting page on fees and charges, and require it to be posted in a standard and prominent location, such as inside the front cover. Additionally, if a fund is compliant with SEC Regulation B, please indicate this. An auditor’s opinion as to the compliance with Regulation B would also be welcome.

Grandfathering credit unions, small banks, and other financial institutions creates a prejudice against the smaller consumer. They are often less sophisticated and more likely to be victimized by unregulated transactions, either intentionally or possibly the uneducated actions of an employee of one of these smaller firms.

III. With respect to non-profits and municipal clients, provided that their mainstay investments are US government and agency debt, and appropriately structured money market funds that can be utilized in sweep accounts (while meeting the new standards) are maintained, the proposal should create little disruption, while serving to minimize aggressive 12b-1 fees and better educating this market sector about expenses and costs associated with their transactions.

IV. Let the industry adapt. In cases where this new legislation may create “hardship”, allow a new class of custodian could be created who is also a registered investment advisor. Instead of taking business from the banks, it would serve to open a new marketplace. I would strongly recommend that again a standard be established for reporting fees so that consumers are aware of all costs without having to have the skills of an auditor. Perhaps requiring an annualized accounting of all fees paid by account could further ensure consumer awareness, not to mention the benefit of proper oversight and reporting.

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