

You have requested comment on changes to Rule 2510.

First, I see no definition of 'discretionary account.'

Does it include a mutual fund market timing service where the only fee/sales charge is the initial sales charge and 12b1 fee? For example, transfers within a family of funds in C share accounts?

Would this rule apply to a b/d, also registered as an IA, that provides a MF timing service for any share class, and charges a fee? Or, does the fee fall under the IA rules? What if the IA is a subsidiary?

If a client gives a RR authority to reallocate funds within a family from time to time without contacting the client (sometimes called market timing) is this discretionary authority?

I believe the intent is to protect clients from excessive fees from churning, or to move money from one mutual fund family to another generating additional compensation, or the transfer of an existing annuity to another that generates a fee. There is a need for such a rule.

I agree that a rule saying any transaction that creates additional income for the b/d and/or RR must be approved by the client is necessary.

I suggest a discretionary account be defined as:

"Any account that gives the RR authority to trade/transfer securities, without contacting the client, that creates additional compensation to the BD/RR when a transaction is executed. Discretionary authority shall be obtained in writing. The cost of all discretionary transactions shall be reported promptly. This may be accomplished by trade tickets, and/or delivery of a prospectus, and/or other written easy to understand full disclosure."

Make it clear whether mutual fund timing is, or is not, considered a discretionary practice.