

Morgan Stanley

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July 20, 2017

U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

RE: RIN 1210-AB82 – Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions

Ladies and Gentlemen:

We respectfully submit Morgan Stanley's comments on the advisability of extending the January 1, 2018 applicability date of certain provisions in the Best Interest Contract Exemption, Principal Transaction Class Exemption and Prohibited Transaction Exemption 84-24 (together, the "Exemptions"), related to the redefinition of the term "fiduciary" under section 3(21) of ERISA and section 4975(e) of the Code (the "Fiduciary Rule"). This submission is made pursuant to the Request for Information Regarding the Fiduciary Rule and Exemptions ("RFI") published in the Federal Register on July 6, 2017.

As discussed more fully below, a delay of the January 1, 2018 applicability date is prudent and necessary and serves the interests of retirement investors. Furthermore, considering the significant ongoing operational, technological and personnel work and expenditures in advance of the applicability date, the announcement of such a delay should occur as close as possible to the end of the fifteen (15) day comment period.

We strongly encourage the Department of Labor (the "DOL") to delay the Fiduciary Rule's January 1, 2018 applicability date by at least eighteen months in order to afford the Department sufficient time to fully consider whether the rule and exemptions should be changed to address a variety of concerns including conflicting regulatory requirements, practical obstacles and a loss of choices for investors. Amongst other considerations, the DOL should explore the creation of harmonized standards for retail investors in conjunction with the Securities and Exchange Commission. If there is no significant delay, there will be insufficient opportunity to coordinate

with the SEC, as Secretary Acosta proposed in his May 22, 2017 Wall Street Journal Op Ed and stated before the Senate Appropriations subcommittee hearing on labor. Morgan Stanley is supportive of the DOL and SEC closely coordinating their regulatory activities to formulate a workable best interest standard and appropriate protocols that will allow for a financial service provider's primary regulator (i.e., SEC and/or FINRA for a broker-dealer) to enforce the standard of care across all retail investors while satisfying any retirement-specific requirements the DOL may proffer. Such coordinated efforts should eliminate the need for individual states to adopt their own standards of care and attendant compliance frameworks, an outcome that surely can only result in a patchwork of regulation that will add to investor confusion.

Notwithstanding coordination with the SEC, a delay is critical to give the DOL sufficient time to address the most problematic provisions of the Fiduciary Rule and Exemptions, to examine and consider responses to this RFI, as well as to allow the industry sufficient time to develop the technology, systems, policies and procedures required to adequately comply with this new set of complex regulatory requirements and to limit disruption to retirement investors. Furthermore, the DOL needs to fully examine and respond to the questions of potential harms and costs raised by the President's memo of February 3, 2017, an important task which will necessarily require time and careful consideration to complete.

A delay of the January 1, 2018 applicability date will further allow financial institutions to continue to develop new and enhanced products and platforms that will assist firms in providing clients more access to investment choices and services. An additional delay will allow firms to more effectively use technology resources in order to build new and improved systems and products that ultimately will benefit clients. If the DOL anticipates making even minor changes to the current rule or proposing new Prohibited Transaction Exemptions, substantial time should be afforded to financial institutions to make any necessary adjustments to systems and business models to limit retirement investor impact to the greatest extent possible.

An eighteen month delay will not be to the detriment of retirement investors. Today, retirement investors are already protected in the transition period of the Fiduciary Rule under a fiduciary standard through a set of Impartial Conduct Standards, requiring advisors to make recommendations that are in the best interests of their clients, to charge no more than reasonable compensation and to make no misleading statements. These conduct standards are important investor protections that should allow the DOL, ideally in coordination with the SEC, to spend the necessary time to develop a well-considered and coordinated principles based solution that protects all investors. In addition, a significant delay is not unprecedented for complex regulatory changes. It is not unusual to allow impacted industries two or more years to make the

necessary adjustments when voluminous and detailed regulations such as the DOL Fiduciary Rule are implemented.

With respect to the timing of an announcement regarding a delay to the January 1, 2018 applicability date, we encourage the DOL to act as quickly as possible following the end of the comment period associated with this portion of the RFI. Financial institutions like Morgan Stanley serve millions of clients and employ thousands of financial advisers and support staff. As such, we require significant lead times to train such staff and deploy operational and technological controls and systems. In addition, we also believe the later a delay announcement, the greater the chances of retirement investor confusion as firms may be forced to communicate multiple times with clients.

We appreciate the opportunity to provide comments and thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Anne T. Cooney". The signature is written in dark ink and is positioned above the printed name.

Anne T. Cooney

General Counsel of Wealth Management