

**The Financial Services Roundtable
Securities Industry Association
American Bankers Association
American Council of Life Insurers
American Insurance Association**

February 6, 2004

Honorable William Donaldson
Chairman
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: "Amendments to Rules Governing Pricing of Mutual Funds,"
SEC Rel. No. IC-26288, File No. S7-27-03

Dear Chairman Donaldson:

We are writing to you on behalf of our organizations, The Financial Services Roundtable (FSR), the Securities Industry Association (SIA), the American Bankers Association (ABA), the American Council of Life Insurers (ACLI) and the American Insurance Association (AIA) to underscore the importance with which our members view the need to prevent late trading of mutual funds. We hope this letter will help to summarize the views that we have presented to the Securities and Exchange Commission (the "Commission") at greater length in formal comments.

Our members fervently agree that late trading has no place in mutual funds, which are dedicated to treating all investors fairly. Late trading in mutual funds has the potential to undermine investor confidence in this indispensable investment tool. We applaud the enforcement actions the Commission and other regulators have taken to punish wrongdoers and believe they will have a strong deterrent effect. At the same time, we support vigorous additional efforts by the Commission to protect mutual fund shareholders from late trading. We must ensure, however, that in effectively preventing late trading we do not disadvantage millions of mutual fund shareholders.

Our members feel the Commission's proposal would run that risk. The proposed Amendments would provide that a mutual fund order receive the current day's price only if received before the deadline for determining the fund's net asset value ("NAV") by the fund, its designated transfer agent, or a registered

securities clearing agency. Typically, most funds calculate their NAV's as of the close of the major U.S. stock exchanges at 4 p.m. Eastern Time. Fund intermediaries, including broker-dealers and retirement plan administrators, would not be able to receive orders up to that time. They would be required to establish earlier trading cut-off times, in order to transmit mutual fund orders to the fund, transfer agent or clearinghouse.

This would disadvantage many fund shareholders, the majority of whom invest in funds through intermediaries. It would require significant changes to investors' current practices and create confusion among investors. Differing cut-off times for differing mutual fund orders would result in differing prices and difficulty for investors executing particular types of trades. Over time, this would create distortions in the marketplace and discourage investment in mutual funds.

Our organizations believe an alternative solution is to require that the entry time of an order be verified with a high degree of certainty. Rather than continuing to rely on current time-stamping requirements and limiting the places where the order can be submitted, we suggest permitting funds and fund intermediaries be eligible to receive orders up to the time of the NAV calculation, provided they employ verifiable, tamper-proof order capture systems and abide by other associated requirements. The necessary features of such systems and the details of compliance and certification are described at length in the formal comment letters of SIA, FSR, ACLI and ABA. While not without cost, these requirements would ensure that effective steps are taken to prevent late trading while allowing fund investors to continue to trade mutual funds with the convenience and certainty they currently enjoy.

We appreciate that the Commission cited and sought public comment on the suggestions our organizations made in previous letters to the Commission. We look forward to working with the Commission to devise and implement enhanced protections for mutual fund investors. Careful and considered action by the Commission on late trading will do much to restore and maintain investor confidence in mutual funds and the markets overall.

Sincerely,

Steve Bartlett
President and CEO
The Financial Services Roundtable

Marc E. Lackritz
President
Securities Industry Association



Donald G. Ogilvie
President
American Bankers Association



Frank Keating
President and CEO
American Council of Life Insurers



Robert E. Vagley
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