April 8, 2004

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

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 express our concern about the proposed rule referenced above published by the Securities and Exchange Commission ("SEC"). We understand the proposed rule is intended to prevent “late trading” of mutual funds, a goal we support in order to restore investor confidence in the U.S. securities markets. However, we are concerned that the proposed rule, if adopted, would create hardships for many investors, particularly those located in the Alaska, Pacific, Mountain, and Central Time Zones.

As you know, the vast majority of mutual fund investors do not purchase their shares directly from mutual funds. Instead, they invest in mutual funds through intermediaries including brokers, investment advisers, and employer retirement plans. Currently, they are able to place orders to buy or sell mutual funds much like orders to buy or sell stocks, until the major U.S. securities markets close at 4:00 p.m. Eastern time. This enables investors to engage with relative ease in such transactions as same-day exchanges of assets between different fund families and redemptions of funds to purchase individual stocks.

As we understand the proposed rule, it would prohibit intermediaries such as brokers and retirement plan administrators from receiving orders up to 4:00 p.m. Eastern time. They would have to establish earlier cut-off times for receipt of orders in order for their customers to receive same-day pricing on mutual fund transactions. We understand this could be as early as 2:00 p.m. Eastern time, which obviously means 11:00 a.m. on the West Coast. After 11:00 a.m., investors would not be able to use the proceeds from a sale of mutual funds to buy other securities that day. In practice, investors in the Western States would find it difficult if not impossible to engage in the kinds of transactions they now take for granted.
Mutual funds have been an important investment vehicle for American families and will continue to be so only if all investors are treated fairly. We support additional efforts by the SEC to protect mutual fund shareholders from late trading. At the same time, we must not make mutual funds a less attractive option for millions of mutual fund shareholders. We feel the SEC’s proposal would have this effect, particularly in the Western States, and urge the Commission to consider fully all alternative options.

Sincerely,

Mike Cryor

Patty Moore

Robert S. Bennett

Dianne Feinstein

Wayne Allard

Ted Stevens

Conrad Burns

Jim Webb

Peter Domenici

Jon Kyl

Michael B. Enzi

Larry Craig
Cc: Honorable Paul Atkins
    Honorable Roel Campos
    Honorable Cynthia Glassman
    Honorable Harvey Goldschmid