

United States Senate

WASHINGTON, DC 20510

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 Cryer

Patty Murray

Bob Bennett

Janine Peirson

Wayne Allard

Tim Stevens

Commodore

LaVelle

Pete Domenici

Tom Kohl

Michael B. Enyi

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