May 7, 2004

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Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth St., NW
Washington, DC 20549-0609

Re: Mandatory Redemption Fees For Redeemable Fund Securities, File S7-11-04

Dear Mr. Katz:

SunTrust Banks, Inc., a parent company to several registered investment advisers and registered broker-dealers is pleased, on behalf of all applicable subsidiaries, to provide comments concerning the Commission's proposed Rule 22c-2 that would impose a redemption fee on the redemption of mutual fund shares purchased within the previous five business days.

Two Percent Redemption Fee

We believe that the imposition of a mandatory redemption fee may eliminate the ability of some shareholders who use mutual fund positions as short term trading vehicles. We agree that such frequent trading activity is detrimental to the actual shareholder and the investment advisers who manage the funds. Moreover, the amount of the proposed redemption fee, two percent, appears to be an appropriate amount that should suffice for both the purposes of allowing funds to recoup costs associated with frequent trading and serving as a reasonable deterrent to those who would engage in short term fund trading.

However, we believe that the mandatory redemption fee rule should only be imposed on entities, managers, or individuals who are actively engaged in short term mutual fund trading. Penalties should not be levied against those who periodically make retirement plan investment contributions, routinely re-balance investments in connection with asset allocation methods, correct errors or distributions. In other words, any purchase or sale of fund shares resulting from plan operations should be excluded from being subject to the mandatory redemption fee. Only sales and purchases involving participant- directed trading activity should be targeted by the proposed rule.

We believe that if the two percent redemption fee rule is implemented, it should be mandatory for all funds as a minimum fee rule. However, funds should have the freedom to impose higher mandatory redemption fees if they believe their costs associated with adverse short term trading are higher than two percent and if the market itself has determined that this is, in fact, true. Therefore, the SEC should not impose a limit on the amount of redemption fees as part of its final rule, nor should it restrict beyond money market funds, the types of funds which may impose a redemption fee.

As proponents of full and fair disclosure, we agree that the disclosure of the mandatory redemption fees should be made in the fund prospectus. However, it is probably unlikely that additional disclosure of the mandatory redemption fee, either at point-of-sale or in a transaction confirmation document, will deter those determined to engage in unorthodox market timing activities. Thus, the cost burden associated with additional disclosure could be significantly greater than the perceived benefit.

The SEC's suggestion for extending the rule to apply to variable annuity contracts would reinforce the concept that long term investors should not try to time the general market, of individual market sectors.

Five Day Holding Period

The use of a five business day holding period for purposes of applying the mandatory redemption fee rule is a suitable period of time, and as such, should serve its intended purpose of being a deterrent against frequent trading within or among funds. We believe the length of the holding period should be uniform for all funds, and that the five business day rule be the maximum length of the holding period for purposes of imposing the redemption fee. Permitting funds to establish longer holding periods could impose a serious burden on financial intermediaries such as banks by creating the need for additional resources to be utilized to determine what could become an untenable myriad of time period for determining the amounts of redemption fees to be imposed.

Small Investor Provisions

We propose that the amount of the *de minimis* exception of the proposed rule be raised from the proposed amount of \$2,500 to a more commercially reasonable \$10,000. There are several reasons for this. First, our review of so-called "timing" transactions among our retirement plan base suggests that the actual number of persons engaging in timing activities is actually very miniscule. For those few that we have identified, the amounts of the trades were virtually all in excess of \$10,000. Although the experience of other financial intermediaries may differ, we believe the proposed rule creates an inordinately burdensome hardship by setting the *de minimis* exception at too low a threshold. The final rule should require funds to forego assessment of redemption fees if the amount of shares redeemed is \$10,000 or less.

The use of the FIFO method should be the standard by which the applicability of redemption fees is calculated. Use of the FIFO method, in combination with our proposed higher *de minimis* exception of \$10,000 ensures that the vast majority of abusive timing-type trades are subjected to a mandatory redemption fee.

Shareholder Accounts and Intermediaries

We applaud the flexibility the SEC has proposed in giving funds and financial intermediaries alternatives for ensuring that the appropriate redemptions fees are imposed. Each fund company and its financial intermediaries should have the ability to negotiate between themselves the manner by which mandatory redemption fees are to be determined and paid over to the funds. However, there is no technology that we are aware of that will efficiently or sufficiently provide the capabilities to break down movements within group plans, brokerage intermediaries and other similar entities. Since the individual investor must be identified to control market timing, we ask the Commission to defer the application of the proposed redemption fee to omnibus accounts until the technology to identify the individual investors in the omnibus accounts is available.

The weekly frequency of reporting requirement is unduly burdensome and should be modified to a monthly reporting cycle. We believe that the strong deterrent of mandatory redemption fees does not require such a frequent reporting cycle, and such frequency imposes unreasonable costs and burdens on both fund companies and financial intermediaries. With a monthly reporting cycle, the fund still recovers any mandatory redemption fees owed it, and both the fund companies and the financial intermediaries have more time to ensure that the data used to determine and calculate such redemption fee amounts are accurate. Weekly reporting serves no compelling interest in the context of the proposed rule, and accomplishes nothing but raising the cost of compliance with the rule to an unduly burdensome level. In such a situation, it is inevitable that small investors will suffer as a result of higher costs being passed along to them.

Miscellaneous Provisions

The SEC should provide an exception to the proposed rule for account transfers and rollovers. For investors engaged in transfers between funds or as a result, for example, of retirement plan distributions, the imposition of a mandatory redemption fee seems inappropriate.

If mandatory redemption fees are applied only to participant-directed trading activity, and not to fund purchases and sales resulting from ongoing plan administration as described above, then there is no need to specifically exclude hardship distributions from the imposition of such redemption fees since the such hardship distributions would already be excluded from imposition of mandatory redemption fees.

Exceptions To Mandatory Redemption Fees

The proposed rule cites four proposed exceptions to mandatory redemption fees. We concur with these proposals except as noted in the following:

The first exception, for *de minimis* amounts, is acceptable so long as the threshold amount is raised from $2,500 to $10,000 as discussed above. We also concur with excepting of both exchange-traded shares and money market funds from the redemption fee rule.

The fourth proposed exception, to permit funds to adopt a fundamental policy to affirmatively permit short-term trading in all of its redeemable securities, subject to the proposed disclosure rules, seems also both appropriate and fair as long as investors know in advance the rules that apply to the fund they are investing in so they can make informed decisions regarding their investment in such funds.

We appreciate having the opportunity to comment on the proposed mandatory redemption fee rule and strongly encourage the SEC to modify its proposed rule to incorporate the improvements to the rule as we have suggested.

Sincerely,

Judith C Loomis

Judith C. Loomis
Vice President
Associate General Counsel
SunTrust Capital Markets, Inc.