

May 10, 2004

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549-0609

Dear Mr. Katz,

I am writing to comment on SEC proposed Rule 22c-2 concerning mutual fund redemption fees and the disclosure of account information held by intermediaries, as issued by the Commission on March 11, 2004.

Our firm provides information technology support and services, including software systems, to investment advisory firms regulated by the Investment Company Act of 1940. Our company has worked with large and small advisors, distributors and retirement plan servicing firms in the areas of trading systems, data warehousing and transaction processing solutions for the investment management industry.

Over the last ten years, the mutual fund industry has witnessed a significant change in the way shareholder account information is maintained. Traditionally, mutual fund companies contracted with registered transfer agents to provide shareholder account and recordkeeping services. These contracts were overseen by the investment company's independent board and subject to audit and regulatory controls. In the early 1990's, the mutual fund industry experienced the introduction of two new elements, distribution fees and sub accounting, which combined fundamentally altered the distribution and servicing of the traditional mutual fund shareholder.

Today, it is estimated that over 50% of mutual fund shareholders are maintained in sub accounts or other records held by financial intermediaries. These accounts are then aggregated into omnibus accounts on the books and records of the investment companies, where only the large single aggregated account is subject to the oversight and review processes of the investment company. It was overwhelmingly in these omnibus accounts that late trading and market timing abuses occurred.

The effect of these changes in shareholder accounting and distribution payments is profound. Today an estimated 140,000,000 shareholder accounts are in the form of sub accounts at financial intermediaries and are beyond the review of investment company compliance personnel. On a daily basis the mutual fund company's systems and compliance solutions review less than 50% of the account volume in mutual funds. The industry can not monitor what it can not see.

Account Transparency

To address this omnibus account problem, proposed Rule 22c-2 suggests that intermediaries, (brokers, retirement plans, fund supermarkets, managed or other directed accounts) provide tax payer identification numbers to the registered investment company on a not less than weekly basis, and that such intermediaries elect one of three proposed alternatives for implementing the redemption fees and informing the investment company (or its agent) that such fees were

collected. These proposed requirements for information transparency of industry sub accounts are sound and in the best interests of shareholders. They should be acted upon immediately.

In order to enforce any compliance standard at the investment company level, proposed Rule 22c-2 seeks to expose shareholder level account and trading detail and tax payer identification numbers to the investment company. To assure compliance, the mutual fund must aggregate the shareholder information from its transfer agent, financial intermediaries, retirement plan recordkeepers and other sources and apply the prospectus language uniformly to all shareholders. This is the only way that active compliance can be attained.

The proposed rule outlines a cost estimate to transmit this information and establish appropriate systems to capture, analyze and report on shareholder activity. In our work with asset management firms, we have successfully constructed systems that have the programming and technology capable of addressing these data volumes and accurately process and enforce daily compliance on industry trading volumes. To suggest that the solution can not be created, or that the cost is prohibitive, is inaccurate.

For over 60 years, the industry as a whole has maintained the highest standards of integrity and investor confidence. The concerns raised by the recent trading abuses and activities were contributed to by the lack of investor transparency caused by sub accounting and financial intermediaries. The proposed Rule 22c-2 addresses the fundamental information gap existing in the industry and will allow fund management companies and fund boards to fairly and accurately take the actions necessary to protect shareholders.

Respectfully,

James J. Dolan
President & CEO
