April 10, 2006

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-9303

Re: File No. S7-06-06
Proposed Amendments to Rule 22c-2 under the Investment Company Act of 1940 (Release No. IC – 27255)

Dear Ms. Morris:

On behalf of Nationwide Financial Services, Inc. ("Nationwide"), we are grateful for the opportunity to provide comment with respect to the proposal by the Securities and Exchange Commission ("Commission") to amend Rule 22c-2 under the Investment Company Act of 1940[1]. For more than 25 years, the operating subsidiaries of Nationwide have issued contracts and incurred obligations involving affiliated and unaffiliated mutual funds. Nationwide Financial Services, Inc. is the holding company for Nationwide Life Insurance Company and other companies that comprise the domestic life insurance and retirement savings operations of the Nationwide group of companies. Nationwide's main business segments are: individual annuities (including variable annuities), individual life insurance (including variable life insurance), and institutional products (include. 401(k) and over thirty thousand (30,000) governmental deferred compensation plans). Nationwide's institutional products business is generally transacted through unregistered separate accounts, Nationwide Trust Company FSB, or other affiliated entities. All of Nationwide's business segments will be directly impacted by Rule 22c-2 ("Rule").

The proposed amendments are intended to clarify and refine the redemption fee rule which requires a fund's Board of Directors to either approve a redemption fee or determine that a redemption fee is not necessary or appropriate. The Rule also requires

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[1] The Rule was adopted by the Commission on March 11, 2005. *See* Mutual Fund Redemption Fees, Investment Company Act Release No. 26782 (March 11, 2005) [70 FR 13328 (March 18, 2005)] (Rule 22c-2 Adopting Release").

the fund or its principal underwriter to enter into written agreements with each financial intermediary pursuant to which the intermediary will provide, upon the fund's request, shareholder identification and trading activity to the fund and execute instructions from the fund to restrict or prohibit trading by shareholders that the fund has identified as having violated the fund's trading policies.

Nationwide commends the Commission for its efforts in addressing this complex issue. Rule 22c-2 is intended to address the problem of excessive trading in mutual fund shares, also referred to as “market timing.” It is widely recognized that excessive trading or “market timing” may inflict various forms of economic harm on a fund and its shareholders. In certain cases, a small minority of fund shareholders engaged in excessive short-term trading may earn profits at the expense of other shareholders.

The Commission, in the proposing release, demonstrated that it is sensitive to the issues inherent in balancing the need of funds to acquire shareholder information from indirect intermediaries who trade in fund shares with practical concerns regarding the difficulty that funds might face in identifying these intermediaries and entering into agreements with them. Nationwide supports the Commission’s efforts to address the inherent problems created by frequent trading, but Nationwide strongly believes that certain provisions of the Rule and the proposed amendments, if adopted, would be detrimental to the interests of investors, especially retirement plan participants, and do not serve the purpose of Rule 22c-2.

Nationwide is aware that various trade groups in the retirement industry will be submitting comments with respect to the proposed amendments. Nationwide particularly supports the Committee of Annuity Insurer’s (“CAI”) comment letter pertaining to the proposed amendments. Nationwide adds the following comments, which are especially relevant to retirement plan record keepers and separate accounts which serve as funding vehicles for retirement plans. These issues are:

- The lack of uniformity of market timing policies;

- The difficulty in applying the Rule and proposed amendments to unallocated contracts (sometimes referred to as “investment only” contracts);

- The Rule should apply only to transactions with a potential for abusive trading;
- The privacy implications of the Rule's operations; and
- The time frame needed to implement the Rule.

Lack of Uniformity of Market Timing Policies

In the proposed amendments to Rule 22c-2, the Commission continues to consider but declines to propose uniform fee standards or market timing policies. For financial intermediaries providing investment products to individual investors and retirement plan sponsors, the lack of uniform standards is a serious administrative problem. For plan sponsors, the lack of uniformity increases the complexity of the plan, which negatively impacts participants.

A lack of uniform frequent trading policies will result in increased administrative costs, particularly for retirement plans. Significant costs for record keepers and financial intermediaries can be anticipated to include building administrative systems to implement redemption fees and purchase block capacity, providing participant level data to funds, and the cost of establishing electronic transfers of information between funds and intermediaries. These costs also include participant education and communications. The plan participants or their employers will ultimately bear these costs.

Nationwide, therefore, respectfully requests that the rule accommodate arrangements between intermediaries and funds that would be uniform and replace the frequent trading policies of individual funds. Commission rules already require separate accounts registered as unit investment trusts (UIT's) to have policies and procedures in place to detect and deter frequent transfers (per forms Form N-4 and N-6). Other financial intermediaries may implement their own frequent trading policies and procedures. Uniformity of frequent trading policies at the financial intermediary level would avoid unnecessary expenses and the complexity of applying all the individual mutual funds' policies.

Effect of Proposed Amendments on Unallocated Contracts ("Investment Only" Contracts)

Financial intermediaries offering unallocated contracts as funding vehicles for retirement plans will confront formidable and costly obstacles in complying with this provision. Nationwide's retirement plan business includes unallocated, or "investment only," business. Nationwide functions as a service provider in this business, and, in some cases, neither Nationwide nor its subsidiaries maintain individual investor records, such as plan participant records. In these cases, the retirement plan maintains the records and neither Nationwide nor a third party administrator has access to the records. Assuming the first-tier intermediary is the separate account or Nationwide Trust Company, upon receiving a request from a fund for information related to market-timing by an individual plan participant, Nationwide would need to seek the information through, at least, two layers of financial intermediaries (the third party administrator and retirement plan). This process would be costly and is not an efficient method to deter market timing. Additionally, this requirement negates the advantages of a financial intermediary providing omnibus trading services via one daily trade for each fund and not maintaining individual plan participant records.

The proposed Amendments indicate that if an indirect intermediary (such as a retirement plan) does not provide the requested information to the first-tier intermediary, then the indirect intermediary cannot purchase additional shares of the fund through the first-tier intermediary. If an indirect intermediary in the chain cannot or does not provide the necessary information, a situation could arise where the retirement plan administrator's fiduciary duties are adversely affected. Under federal law related to qualified plans[2] and state law related to non-qualified plans, a retirement plan administrator as fiduciary must act in the best interests of its participants and operate the plan according to its plan terms.

[2] *See* Section 404(c) of the Employee Retirement Income Security Act of 1974.

Privacy Implications.

The Commission indicated in footnote 16 of the proposing release that the disclosure of information pursuant to the required shareholder agreements would not violate the privacy provisions of the Gramm-Leach-Bliley Act.[3] The Commission, however, did not consider the effect of state privacy laws which have requirements in addition to federal law and would apply to the operation of non-qualified or governmental retirement plans. Financial intermediaries could risk violating these privacy laws, if it releases plan participant information.

Additionally, financial intermediaries could also risk breaching contracts with plan sponsors by releasing plan participant information. Many contracts between plan sponsors and administrators (which are financial intermediaries) explicitly state that the participant information is the property of the plan sponsor and that participant information cannot be released without the consent of the plan sponsors (and/or participant). Thus, financial intermediaries would be placed in the position of having to either breach a contract with a plan sponsor if the plan sponsor refuses to allow the disclosure of certain participant information requested by the fund or to refuse to provide information requested by a fund under the Rule.

Application of Rule to Certain Retirement Plan Transactions

In its final rule, the Commission did not exempt transactions in which a plan participant is unlikely to engage in abusive trading. These transactions include, but are not limited to, automatic asset allocations or rebalancing, hardship withdrawals, normal retirement distributions, loans, and fees for services. In the retirement plan business, the Rule, as currently drafted, could apply to these transactions, which typically do not involve market timing abuses. Applying the Rule to these transactions could greatly increase the complexity of plan administration and have an unintended adverse effect on plan participants in financial need. Therefore, Nationwide requests that the final rule contain an exemption for these types of transactions.

[3] *See* e.g., 15 U.S.C.6801-09, 6821-27.

Effective Date

The current compliance date of Rule 22c-2 is October 16, 2006. Due to a number of factors, including lack of uniformity of trading restrictions and redemption fees, financial intermediaries need additional time to develop computer systems, procedures, and negotiate written agreements with funds. Nationwide respectfully requests that the Commission extend the compliance date to 18 months from the latter of October 16, 2006 or the date of adoption of amendments to the Rule.

Conclusion

Nationwide supports the purpose of the Rule, which is deter and prevent frequent trading practices that adversely affect other investors who do not engage in abusive trading. We encourage the Commission to proceed cautiously and to refrain from action that ignores the practical realities faced by financial intermediaries. Finally, we respectfully request that the compliance date for the rule be delayed to allow Nationwide and other financial intermediaries additional time to comply with the requirements of the Rule.

Sincerely yours,

Mark R. Thresher

President and Chief Operating Officer,

Nationwide Financial Services, Inc.