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

Comments to File No. S7-11-04, via e-mail to rule-comments@sec.gov

Dear Mr. Katz:

Thank you for taking comments on this proposed rule (the "proposal") for a mandatory mutual fund redemption fee.

The proposal should be rejected.

The proposal would do little to prevent determined market timers, especially hedge funds and other institutional timers. And it would impose unnecessary costs and hardships on investors.

The proposal would require mutual fund intermediaries to share weekly with funds the tax I.D. numbers and transaction data of shareholders. As the Commission knows, an NASD omnibus account task force noted that "an individual could trade through accounts with different TIN numbers" using trusts, spouses' accounts and corporate accounts. As Division of Investment Management staff knows, investors could also use offshore accounts where it would not be possible to match TINs. The bottom line is, any reasonably sophisticated investor could still easily time funds and avoid the redemption fees.

As many observers have noted, including SEC commissioners, the better fix to the timing problem is to ensure that mutual funds properly price their shares. The redemption-fee idea is a flawed solution, and regulatory attention is better spent on the fair-value pricing issue.

A mandatory redemption fee has long been pushed by the mutual fund industry. In fact, the proposal parallels an idea pushed by the Investment Company Institute, the fund industry trade group. Last October the ICI proposed a minimum industry-wide 2% redemption fee on fund shares held less than five days, with exceptions for money market funds and funds that specifically allow timers. SEC staff's proposal was similar, but capped the fee at 2%. The proposal gives the appearance that SEC staff were influenced by the ICI, which brought forth an old agenda item to offer up as a "solution" to the timing problem. Clearly, investors do not benefit from any kind of redemption fee.

Because the proposal would not stop timers, and because it would harm investors, it should be rejected.

Sincerely,

Dan Jamieson