AMERITRADE
Holding Corporation

May 10, 2005

VIA ELECTRONIC MAIL

Mr. Jonathan G. Katz
Secretary
United States Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: *Mandatory Redemption Fees for Redeemable Fund Securities, ICA Rel. No. 26375A, File S7-11-04*

Dear Mr. Katz:

Ameritrade, Inc.[1] ("Ameritrade" or "the Firm") appreciates the opportunity to comment on the Securities and Exchange Commission's ("Commission") proposal regarding Mandatory Redemption Fees for Redeemable Fund Securities. Ameritrade commends the Commission for undertaking reforms to reduce abuses of short-term trading in mutual funds for the protection of investors.

Mandatory and Uniform Standards

Ameritrade applauds the Commission for not making a redemption fee mandatory, rather empowering the individual fund boards who are best suited to explore all available options to address short-term trading concerns prior to implementing a redemption fee program. Understanding that many funds will adopt disparate fee models, Ameritrade believes that the administration of such fees should be uniform in their application. As a self-directed broker, Ameritrade does not recommend any particular mutual funds or fund families. In fact, as of May 2, 2005, Ameritrade offered its clients the ability to purchase and sell 13,294 various mutual funds comprised of 434 mutual fund companies. Ameritrade's experience as a mutual fund dealer is that the policies and procedures established by individual fund companies lack consistency in their application.

---

[1] Ameritrade Holding Corporation ("Ameritrade Holding") has a 30-year history of providing financial services to self-directed investors. Ameritrade Holding's wholly owned subsidiary, Ameritrade, Inc., acts as a self-directed broker serving an investor base comprised of over 3.6 million client accounts. Ameritrade does not solicit orders, make discretionary investments on behalf of our clients, or provide proprietary research or advice regarding securities. Rather, Ameritrade empowers the individual investor by providing them with tools they need to make their own investment decisions. In exchange for a low commission, we accept and deliver the order to buy or sell securities to the appropriate exchange, market maker, electronic communications network or other alternative market for execution. Ameritrade does not trade for its own account or make a market in any security.

These inconsistencies spread across the more than 13,000 various funds offered through Ameritrade, have proven to be confusing and harmful to our clients. Establishing a uniform redemption fee would be transparent to investors and effectively address the harm that the Commission has identified. In addition, a uniform redemption fee would simplify implementation of the rule.

Share Accounting Method

Ameritrade supports the first-in, first-out ("FIFO") method of identifying shares subject to a redemption fee. Many clients of Ameritrade participate in a periodic investment plan; wherein fund shares are purchased at regularly scheduled intervals. The FIFO method reduces the likelihood an investor would be assessed a fee on a redemption shortly following a periodic investment, one that should not be construed as market timing.

***De Minimis* Waivers**

Ameritrade supports an exception for redemptions involving dollar amounts less than a predetermined amount. We believe, however, any such exception should be mandatory. To the degree it may be determined that the intermediary bears the responsibility of identifying and applying certain waivers, we feel it would be difficult and costly to accommodate various *de minimis* arrangements We respectfully disagree with those who assert that these *de minimis* exceptions provide a loophole for market timers to break up transactions into smaller amounts to avoid the fee. In many cases, this action would result in transactional charges in excess of the fee itself. Ameritrade strongly believes the calculation and assessment (or waiver) of the fee should be performed by the mutual fund. The majority of redemption orders processed by Ameritrade are entered for a specific share quantity rather than a dollar amount. As such, any *de minimis* exception would require the trade be executed, following the fund company's calculation of the closing net asset value, as to determine the value of the trade itself.

Investor-initiated Transactions

Ameritrade acknowledges that there are instances where a redemption fee should not be assessed, such as for the redemption of shares acquired through dividend reinvestment, periodic investment plans, or other automatic contribution arrangements. Ameritrade believes, however, that these processes are extremely difficult to manage should the requirement be placed on the broker-dealer. For example, Ameritrade offers clients self-directed brokerage options through certain 401K plans for which Ameritrade is not the plan administrator. These accounts are managed by the participants, and can contain mutual fund shares acquired through automatic contributions, not processed or recognized by Ameritrade. A redemption of such shares may result in a harmless transaction being assessed a fee. As such, Ameritrade respectfully requests the Commission to consider such situations when finalizing Rule 22c-2.

Financial Emergencies

Ameritrade opposes any provision for the waiver of the fee due to financial emergencies. We view financial emergencies as too difficult to define and will lack uniformity as applied to different situations among various fund companies. Furthermore, we feel this exception would be far too difficult to administer and would be overly burdensome for both intermediaries and fund companies alike. Similar to financial emergencies, Ameritrade also believes that other, non-standard exceptions would be too difficult and costly to administer for the same reasons cited above.

Shareholder Accounts and Intermediaries

Ameritrade strongly believes that in the best interests of the retail client, the most appropriate method of imposing redemption fees is for the intermediary to provide the fund company its internal account number at the time of each transaction and rely on the fund company to calculate and account for any applicable fees. Ameritrade understands that this method is already supported via the DTCC/NSCC Networking system and those funds and firms utilizing the sub-accounting features of networking would bear little or no costs associated with the exchange of information component of this rule. Furthermore, to Ameritrade's knowledge, most fund transfer agency systems are already equipped to calculate and account for such fees, where many intermediary systems are not. Ameritrade believes the other proposed methods would be difficult and costly for both funds and intermediaries to administer due to system development costs and the requirement of more unnecessary communications between fund and firms to process and settle transactions.

* * * *

Ameritrade thanks the Commission for considering its comments. Please contact me at 201-761-5570 if you would like to discuss our comments further.

Sincerely,

Phylis M. Esposito

Phylis M. Esposito
Executive Vice President, Chief Strategy Officer

CC: Chairman William H. Donaldson
Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Commissioner Cynthia A. Glassman
Commissioner Harvey J. Goldschmid