American Century Investments

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March 10, 2004

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

Re: Investment Company Act Release No. 26323; File Number S7-03-04

Dear Mr. Katz:

We are writing as the Independent Directors of the American Century Funds ("Funds") to express our views on the fund governance rules proposed for comment by the Commission in Investment Company Act Release No. 26323.

The Funds are a group of more than 60 mutual funds registered with the Commission under the Investment Company of 1940 ("1940 Act") and managed by American Century Investment Management Company. The Funds operate under the oversight of two separate boards of directors/trustees. One board, based in Kansas City, Missouri, oversees domestic and international equity funds with assets of $59.9 billion as of January 31, 2004 ("Kansas City Board"). The other board, based in Mountain View, California, oversees the fixed income and quantitative equity funds with assets of $23.6 billion as of January 31, 2004 ("Mountain View Board").

Historically, the Funds have been marketed on a no-load basis. More recently, the Fund Boards approved the establishment of separate classes of shares for distribution through various intermediary channels, including broker-dealers. The Funds utilize a unitary fee structure under which the investment adviser is paid a single fee to cover investment management, transfer

agent and all other fund operating expenses, except brokerage commissions, taxes and extraordinary items.

The Funds are unusual in an another respect: they do not allocate brokerage for either sales or research. The Funds have operated under the principle that brokerage commissions should be used for one purpose and only one purpose – to obtain best execution of the Funds' portfolio transactions. While the Funds will utilize whatever proprietary research is offered to them by broker-dealers, such research has not been a factor in allocating brokerage. They believe that it is contrary to the interest of shareholders to permit extraneous factors to potentially influence the professional judgment of the trader in seeking best execution.

The Independent Directors, like many other persons associated with the mutual fund industry, are deeply disturbed over revelations of market timing and late order abuses affecting a significant number of mutual funds. These abuses involve illegal acceptance of late orders, selective implementation of market timing and portfolio disclosure policies and insider market timing of their own funds in contravention of those policies. The Independent Directors support vigorous enforcement actions against the wrongdoers as well as regulatory reforms to deal with these potential abuses. While the Funds have long sought actively to prevent market timing abuses, we, as independent directors, nevertheless are seeking a rigorous reexamination of existing safeguards to ensure that our shareholders continue to be adequately protected against such abuses.

Understandably, the market timing and late order abuses have led to a Commission reexamination of mutual fund governance practices and the role of independent directors. We support this reexamination as well as any additional regulatory requirements which will assist us in fulfilling our responsibilities to shareholders. We believe, however, that any assessment of the role of the independent directors should recognize that they do not serve in an operating role. Neither are they detectives, investigators or forensic accountants. Rather, they provide oversight, monitoring and evaluation of the fund manager and other external service providers. This is accomplished mainly through periodic board and committee meetings. The independent directors necessarily exercise their business judgment based on the information furnished to them both on a regular basis and in response to board requests. This information is furnished by fund managers, other service providers to the Funds and the board, especially the outside auditors, legal counsel to the independent directors, and such other consultants as the directors from time to time find it helpful to retain.

The effectiveness of independent directors necessarily depends on a culture of transparency between the directors and fund management and other fund service providers. They cannot perform adequately their oversight, monitoring and evaluation roles without materially complete and accurate information concerning fund operations and issues. Accordingly, we support regulation which reinforces this culture of transparency, particularly the enhanced relationship between the outside auditors and the funds' independent audit committee as well as the direct counsel and chief compliance officer reporting obligations to independent directors.

The Directors also support, for the most part, the fund governance requirements proposed by the Commission in Release No. IC-26323. Many of these proposals reflect widespread industry best practice and should be codified as regulatory requirements. These include the provisions for

(a) a 75% independent board;

(b) tightening of the definition of interested person;

(c) annual self assessment;

(d) separate independent director meetings; and

(e) independent board nominating committees.

We do not support, however, an inflexible requirement that the Chair of the Board be an independent director. We recognize that in some instances such a requirement would enhance the power of the independent directors to control the agenda of board and committee meetings, which we understand to be the SEC's functional goal. However, in the case of the Funds, and we believe, in the case of many other funds, the Independent Directors already exercise that power through their right to require that items be taken up at board or committee meetings, in the context of a board structure with a Chair who is a key officer of the adviser with intimate knowledge of fund operations. We believe that our Funds benefit from such a Chair, who possesses a more comprehensive command of fund operations than any independent director could, without losing the agenda control the SEC proposal seeks to assure for the independent directors. Doubtless other boards have assured agenda control by Independent Directors through alternative techniques, such as a lead director structure or the independent Chair

structure which the Commission proposes to make mandatory. We urge the Commission, in lieu of an inflexible requirement for an independent Chair, to require by regulation only the organizational element necessary for independent director agenda control, and allow the particular structures through which that control is implemented to evolve in response to the experience and circumstances of different fund boards. This could be accomplished simply by requiring that the Chair be selected annually, and be removable at any time, by a majority of independent directors and that any independent director have the authority to place an item on a board or committee meeting agenda.

We appreciate the opportunity to comment on the issues of fund governance that are so important to the protection of investors and to our responsibility to serve their interests.

Sincerely,

Kenneth Scott

Kenneth Scott
Chairman, Audit Committee
American Century Funds (Mountain View)

Donald H. Pratt
Vice Chairman of the Board
American Century Funds (Kansas City)

cc: Chairman William H. Donaldson
Members of the Commission
Paul F. Roye, Esq.