

American Century Investments

May 10, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0506

Re: Mandatory Redemption Fees for Redeemable Securities (File No. S7-11-04)

Dear Mr. Katz:

American Century Investments appreciates the opportunity to provide opinions regarding the Commission's proposal referenced above. In general, American Century supports the proposal, as well as most of the suggested revisions outlined in the ICI's comment letter dated May 10, 2004. However, we also offer additional comments regarding the specific provisions of the proposal that are set forth below.

I. Shareholder Accounts and Intermediaries

Proposed Rule 22c-2 gives mutual funds and the financial intermediaries through which investors purchase and redeem shares three methods of assuring that the appropriate redemption fees are imposed.

Under the first method, the fund must require the intermediary to transmit to the fund at the time of each transaction the account number used by the intermediary to identify the transaction. The fund must then use such information to match the current transaction with previous or subsequent transactions by the same account to assess if and when the redemption fee is applicable. Under this method, the fund, along with the intermediary, acts as a recordkeeper for the omnibus account.

Currently, many funds or their distributors reimburse intermediaries for the shareholder services (such as recordkeeping) provided by the intermediaries. These reimbursements are possible because of the savings at the fund or distributor level engendered by the intermediary's omnibus accounting. If funds are to be required to track the transactions of each investor who invests through an intermediary, much of the efficiency and savings created by such intermediary holding fund shares in an omnibus account will be eliminated. It seems unnecessary and redundant to cause funds to create systems to track such transactions when the intermediary already has systems in place to do so.

Under the second method, the fund must, by agreement, require the intermediary to identify those redemption orders to which the redemption fee is applicable, and transmit to the fund transaction and holding information sufficient to permit the fund to assess the amount of the redemption fee. While this method would involve the transmission of substantially less data than the first method, the fund would still be required to perform

some recordkeeping for each account administered by the intermediary in order to assess and collect the redemption fee.

Under the third method, the intermediary is required to impose the redemption fee and remit the proceeds to the fund. This method would not require the funds to create and maintain additional record keeping systems, nor require the frequent transmission of sensitive information between the fund and intermediary, or else be prepared to not do business with intermediaries that require a certain method.

In its release for the proposed rule, the Commission stated that each fund would be able to select the method to use. We believe that the method used will be the result of negotiations between the fund and each intermediary through which shareholders invest. Accordingly, most funds and intermediaries will need to be prepared to operate under all three methods in order to compete effectively in the market.

Instead of providing three options for assessing the fee, we believe that the rule should require that the third method be used -- the fund must enter into an agreement under which the intermediary is required to impose the fee and remit the proceeds to the fund. This approach would promote greater uniformity in the application and enforcement of redemption fee assessment across funds and intermediaries and help protect the privacy of account holders' transactions. In addition, this method would not require the fund to create and maintain a recordkeeping system for each intermediary's account holders, and thus preserve the economics created by omnibus accounting that is redundant of each intermediary's systems.

II. Periodic Information Required

Despite the method used to assess the redemption fee, proposed Rule 22c-2(c) requires that the fund require the intermediary to transmit certain account and transaction information to the fund no less frequently than once each week in order for the fund to determine whether the redemption fee is properly assessed. The proposed rule does not state what should occur if the fund determines that, based on the information provided by the intermediary, the redemption fee was not properly assessed. We believe that the proposed rule should provide a remedy for fund shareholders in those cases where the fee was not properly assessed.

In addition, we do not believe that the fund should be required to audit the intermediary's calculations on a weekly basis. The responsibility for correctly applying the fee should be at the fund level for single investor accounts (sub-accounts), and at the intermediary level for omnibus accounts. We believe, however, that the fund should have the right to obtain such information on an as-needed basis (i.e., if the fund suspects that fees are not being properly assessed or if the fund suspects that certain accounts are trading more frequently than the fund's policies permit). The weekly transmission of shareholders' private information also conflicts with recent federal and state laws enacted to protect the privacy of such information. We believe that the weekly transmission of such large

volumes of private information (even via secured lines) would unnecessarily create the opportunity for mischief and misuse of such information.

Futhermore, we do not believe that the fund should be responsible for the accuracy of the amount of fees assessed by the intermediary. The accuracy of the fee amounts will depend upon the accuracy of the underlying transaction data captured and transmitted to the fund by the intermediary. The fund will not be in a position to determine whether such transaction data is correct. Instead of requiring the fund to audit the intermediary's fee calculations, we believe that the rule should require the fund to enter into an agreement under which the intermediary is required to implement controls and procedures reasonably designed to ensure that the redemption fees remitted to the fund have been properly assessed, and, on a periodic basis, certify to the fund that such controls and procedures are in place.

Your consideration of input regarding impacts of this proposal is appreciated. If you have any questions regarding this letter, please contact me at (816) 340-3335.

Sincerely,

Otis H. Cowan
Assistant General Counsel