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Secretary
Securities and Exchange Commission
450 Fifth Street,
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Subject: Mutual Fund Redemption Fees

Comments: Our recommendation to the Securities and Exchange Commission that, in addition to providing the shareholder Tax Identification Number, intermediaries agree to provide information identifying the financial advisor responsible for the sale of the mutual fund product to the shareholder, when requested by the fund company.

Background:

Prior to the exposure of market timing issues, a number of financial intermediaries disclosed little, if any, information on which of their financial advisors, shareholders, or plan participants were executing the trades within the firm's omnibus or undisclosed accounts. In fact, on some clearing and supermarket platforms, the decision of whether or not to disclose this information was left up to the introducing advisory firm. These clearing brokers came to recognize that many of the financial advisors who elected not to be disclosed did so because they were market-timing mutual funds. Subsequently, a number of these clearing firms changed their policies and began disclosing more advisor information. However, the way these clearing brokers and supermarkets provide that advisor information often does not break down the specific trading activities in relation to the accounts those advisors manage. If the introducing advisory firm does not want to disclose how or through whom the product was sold, the question would be why?

Currently, as we understand 22c-2, the intermediary is required to provide TINs and transactional information at the request of the fund company. However, there is no provision within 22c-2 requiring that the intermediary also provide information identifying the financial advisor executing the trade.

Proposal:

Requiring the disclosure of TINs and transactional information by the intermediary when requested to do so by the fund company is only a partial solution to the transparency issues associated with omnibus accounts. Since financial advisors are acquiring mutual fund products on behalf of their clients, the mutual fund shareholders, and are empowered by them to trade on their behalf, the intermediary should identify these individuals along with the TIN of the shareholder. We see no reason not to make transparency complete by including all of the information associated with the individuals that manage shareholder relationships and gaining full disclosure of the processes involved in the sale of the product to the end shareholder. The financial advisor has the responsibility to represent the product capabilities to the investor. They are charged by the investor with the authority to act on their behalf, are a party to the transaction, and have a legal duty to conform to all of the rules of the fund. The financial advisor may be compensated directly or indirectly for the sale of the product by the fund, all the more reason why disclosure of all parties to a transaction is appropriate.

Additional Considerations:

With full disclosure of shareholder transactions and TINs from all intermediaries and direct sources we believe that fund companies will begin to see prohibited trading activities that are coincidental and not deemed to be intentional "market timing" by the fund. There may be many situations where a financial advisor has made a decision to trade on behalf of a shareholder, independent of transactions by other firms or by the shareholder directly. The stated policies of the fund may be violated because none of the parties were aware of each other's activities on a particular day or within a certain time frame where less than a certain number of transactions were permitted. When this occurs, warnings or alerts could be instituted that would cause a dialogue to occur among the fund company, the financial advisors that sold the product, and perhaps the shareholders themselves. An example might be an instance where the shareholder redeemed shares from the fund directly without informing their advisor who recently executed a purchase. The

inclusion of the financial advisor identification information on such a trade will facilitate and encourage a working relationship between the fund company and its distributors while also helping all parties to manage their shareholder relationships in the best interests of the shareholder. Although the fund company may have a direct relationship with the shareholder, they will have to respect the role of a financial advisor and their client/investor relationship where the financial advisor has acquired the same product on behalf of that same investor. The appropriate confidentiality measures have been approved within 22c-2 to protect all parties when these circumstances occur.

The opportunity for the fund company to discuss the attributes of the product or the product's trading limitations directly with the financial advisor will be in the best interest of all parties, particularly the shareholder. The only way this can occur in an omnibus environment is with the revelation of the financial advisor's identity. We also recommend that the form of identification of the financial advisor be through the inclusion of the financial advisors' Dealer, Branch, and Representative codes on all individual trades and any sub-account detail provided under the provision of rule 22c-2. These codes expedite and enable recognition of the financial advisor executing the trade. Additionally, continually monitoring the accounts of certain financial advisors via these alphanumerical identifiers will enable third-party and internal transfer agents to identify financial advisors that change brokerage firms or who change fund families in which they trade once they have been detected and determined to be frequent short-term traders. In the case of third-party transfer agents, they will be able to leverage their knowledge of these financial advisors to provide the necessary compliance support on behalf of their multiple fund clients when permitted to do so.

Summary:

We believe that identification of the financial advisor is necessary to achieve complete transparency. In addition, this identification process actually facilitates the cooperation necessary among all parties who have a relationship with an investor. It can also make the shareholder aware of certain questionable intermediary activities, particularly in cases where the intermediary may have discretionary control over the shareholder's account. Finally, it will enable fund companies to develop a history of their experience with selected financial advisors and the trading trends of accounts over which those selected financial advisors have fiduciary responsibility and control. All of this promotes good governance and as such we are recommending that the identification of the financial advisor be included with transactions.

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