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Edward Jones

January 8, 2004

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OFFICE OF THE SECRETARY

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

RE: File No. S7-27-03

Dear Mr Katz:

Edward Jones, a St. Louis based retail firm with over 8,000 branches and 5,000,000 customers, appreciates the opportunity to express our views on the proposed rule changes governing pricing of mutual fund shares, designed to prevent unlawful late trading in fund shares.

Mutual funds represent approximately 50% of our product mix and we fully support the tightening of rules to limit late trading in order to reduce the shifting of gains from long term shareholders to short term traders. Significant and definitive action must be taken to eliminate the potential for repetition of this problem. The SEC proposed rule changes appear to achieve this objective and we support them. A few comments are made below to reinforce support for the SEC proposed rules or seek minor clarification.

I. *Hard close at the Mutual Fund or NSCC Fund/Serv, not other intermediaries*

We applaud the SEC for supporting both the mutual fund (or its designated transfer agent) and NSCC Fund/Serv as a place for time stamping of orders as received prior to the 4:00 p.m. close. We believe such destinations, subject to appropriate internal procedures and controls, will be effective at making sure only those orders received before 4:00 p.m. receive that day's mutual fund valuation price.

Specifically, the use of NSCC is a particularly sound solution as it provides one highly automated and centralized point of control. It will be much easier to monitor and insure compliance with a 4:00 p.m. cut off at a single point, like NSCC, than at multiple points, like mutual funds or numerous intermediaries.

The cost of implementing a hard close at the NSCC will come in two forms.
A) The NSCC cost to enhance its current Fund/Serv platform and maintain new controls and procedures going forward.
B) The cost to the numerous intermediaries to modify their systems to interact with NSCC Fund/Serv in new ways.

While neither of these costs are trivial, it is important to keep them in the proper context. Mutual funds represent the most widely held investment by individual investors and to not expend the resources to tighten up compliance in this area seems very shortsighted.

The size of the information systems effort at NSCC and at intermediaries is significant, yet the one-year transition period proposed by the SEC appears adequate.

II. ***Hard Close at the Intermediary***

Allowing intermediaries the option of strengthening their processes (electronic time stamping, annual certification of policies and procedures, annual audit of controls) to prevent late trading would certainly reduce instances of late trading. This approach definitely requires the least amount of structural and systems change by order sending firms and, therefore, would be the easiest to implement from a time, cost, and impact to investor viewpoint.

Undoubtedly, recent events have raised the awareness for strict compliance with a 4:00 p.m. close throughout the industry. Greater due diligence to review processes and controls and insure compliance with a 4:00 p.m. close has already occurred and will remain a high priority of management and regulators.

The risk with this option is the reliance on individual firm processes and controls versus an industry structural change that effectively prevents trading after the 4:00 p.m. close. To the extent an organization would willfully desire to circumvent internal processes and controls, it could be accomplished and a reoccurrence of late trading violations could occur.

While we acknowledge this option would solve late trading violations for most, the lack of a structural change, like control at NSCC, leaves the door open to violations by those desiring to willfully circumvent the rules.

III. ***Definition of an "Order"***

We agree with the proposed definition of an order and suggest modification/clarification on a couple of points:

An order should be deemed "valid", not complete, when it contains:

A) The direction to purchase or sell either a specific number of shares of a fund or a specific dollar amount of a fund.
B) The direction to purchase redeemable securities of the fund using proceeds of a contemporaneous order to redeem a specific number of shares (or dollars) of another (supports exchanges)

We agree with the SEC criteria for determining that a valid, irrevocable (after the 4:00 p.m. close) order has been received. However, the order may not be "complete" as intermediaries and funds would still need to calculate breakpoints and contingent deferred sales charges in order to "complete" the order.

While the SEC may define "complete" in any fashion it desires, we feel the use of the term valid, versus complete, to describe an order entitled to the 4:00 p.m. price, minimizes the risk for misunderstanding and inadvertent errors.

IV. ***Exceptions for Power Failure, Hurricane or Other Emergency***

The SEC has rightly provided exceptions for emergency situations, which would otherwise result in investors missing the market by one day or more.

We propose enhancing the emergency exception provision by:

1. Allowing the CEO or designated officers to provide the suggested attestation. CEO's may be unavailable and time would be critical in such an event, therefore, more than one individual should have such emergency attestation authority.
2. Allow for submission of the emergency attestation to NSCC versus sending it directly to each fund complex. The SEC's proposed regulation report indicates some firms deal with 300 or more mutual fund vendors and contacting each individually during an emergency seems a highly inefficient design. Alternatively, NSCC could serve as a centralized recipient and custodian of such emergency attestations, and communicate such information to virtually all mutual funds electronically.
3. Allow for an emergency declaration for significant, non-recurring, internal information system problems. Such problems should be very infrequent, if ever.
4. Additional guidance is needed on the approval or acceptance of such emergency attestation, if any. The SEC text implies if the CEO attests and submits the letter, it is done; no approval or acceptance is required.

While the regulations proposed by the SEC would require change and the expenditure of scarce resources by mutual funds, NSCC and intermediaries, we believe such changes as those recommended are needed and appropriate.

Edward Jones appreciates the opportunity to submit our views and we remain willing to provide additional information or respond to questions.

Respectfully,

Norm Eaker

Norman Eaker
Principal, Operations

NE/dm