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January 21, 2004

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

Dear Mr. Katz,

Re: File No. S7-27-03

As a mutual fund investor for more than 35 years and as a fee-only investment advisor who invests clients' monies almost exclusively in mutual funds for the last 20 years, I am deeply disturbed by the SEC's "hard close" solution to the abuses of after hours trading.

For the record let me be clear: something needs to be done to curb and eliminate after hours trades in mutual funds and to curb market timing both of which harm honest and ethical mutual fund investors.

Let me also state for the record: I have been running my mutual fund trades through Schwab Institutional for more than ten years and never has Schwab bent the rules to allow late trading in mutual funds for either myself or my clients. How do I know that for sure? Because all my clients are non-discretionary and the client and I are always on the phone together (by conference call) when we trade/transact mutual funds in their accounts.

Also let me state for the record that I am against short term trading by market timers and I'm for fair pricing rules especially where unfair advantage can occur with international funds.

I'd like to explain why I feel a hard close is unfair to the majority of mutual fund investors, including long-term investors.

Let's start with a premise: In a technologically perfect world all mutual fund trades would be transacted like individual stocks trades. The trade would be made in real time and at the prevailing market price. As we know, that is not the case. Most mutual fund trades get the end of business day pricing--- the 4 p.m. ET closing price.

So if a mutual fund investor decides the night before or at 9 a.m. in the morning or at 1 p.m. in the afternoon that it's time to make an important portfolio change due to whatever reason--- personal, political events, economic data, corporate disclosures and announcements or market conditions, he's going to get the same price as the individual who decides to trade just prior to the close of the market at 4 p.m. Those earlier decisions by mutual fund investors are at the mercy of events *subsequent* to his decision until the 4 p.m. close.

The SEC's argument in defense of their proposal is that if the trade is delayed a day due to the hard close, for the majority of investors whose investment decisions are funneled through intermediaries, 50% of the time the investor will get a better price and 50% of the time they won't. The SEC concludes that the net effect of its proposal will be a wash--- neither a benefit nor a detriment to investors.

This argument, however, overlooks some very important concerns. Investors and investment advisors, even those who invest for the long-term, use a wide range of strategies and techniques to manage risk. All or most investors have breaking points where market volatility may be more than they can tolerate. Investors in individual stocks can use stop losses to provide some measure of control over significant losses. Also, they can sell their holdings in real time. Mutual fund investors have no such opportunity. They must sit tight until the end of the day no matter what is happening in the market.

My big fear for my clients under *current* rules is this: That NYSE circuit-breaker provisions will go into effect shutting down the market before I can execute loss control on my clients portfolios and that the next time the market re-opens it will be at a much lower level and remain at that low level or decline even further.

This risk is very real. The NYSE would not have instituted circuit-breaker levels if this wasn't the case. We've all seen what can happen on highly volatile days--- a 23% decline on October 19, 1987 and the post 9/11 volatility with the market shut down for four days. (As a point of information I did not move any client money, or my own, during those particular volatile periods.)

Today, with the risk of terrorism including weapons of mass destruction and a three-year bear market including a 78% decline in the NASDAQ fresh in our minds, managing risk is the most important thing I do for my clients. Will Rogers is credited with saying: "The return *of* your money is more important than the return *on* your money."

What the SEC is proposing as a solution to the late trading abuses substantially increases the risks of mutual fund investing for my clients, myself and for all mutual fund investors. The extent of these risks can best be understood and appreciated in the context of turbulent times as mentioned in the preceding two paragraphs.

In my investment advisory practice I know how important it is to manage risk. I'm vigilant about actually doing it. During the recent three-year bear market my clients, all of whom invest almost exclusively in mutual funds, made money. Albeit, not a lot of money, but a respectable return and they didn't lose money. Client's who did lose money in a single year were limited to one to two percent losses. Good asset allocation and timely strategic and tactical investing made the difference. Let me say I'm not a market timer, but I do have some skill in making timely market moves for my clients. (My average mutual fund holding period is approximately three years.)

The SEC's proposal to curb late trading abuses has me seriously questioning how best to manage the additional risks that such a rule will impose on my clients' portfolios (especially during turbulent market times). The logical (but purely theoretical) choice is to stop using intermediaries and deal directly with individual mutual fund companies. The problem is that the additional workload would be unbearable for my firm and the cost and paperwork unacceptable to my clients. The intermediaries have made low cost fee-only investment advisors' services practical and affordable for individual investors. (My *highest* fee for on going supervision and management of a client's portfolio is .65%/year of assets under management.) Intermediaries allow for one application per client account regardless of the number of funds held in the account, all client fund holdings appear on one monthly statement and are available on line with daily updates. In addition clients can make quick, easy and timely purchases, sales and exchanges of funds on line or by phone. And they also have almost full access to any mutual funds individual investors and their advisors feel will serve them best.

Going back to dealing with individual fund companies and losing the benefits noted above is just not practical. Nor is taking undue risk with my clients' money. They have entrusted me with their life savings. I do not take that responsibility lightly.

The SEC's proposed solution will cause a problem for me far worse than those who are getting away with late trading. There are better solutions that don't hurt those investors whom the SEC is charged with protecting. For one example of a better solution please see the Charles Schwab response to S7-27-03: A White Paper on Mutual Fund Reform dated 10/27/03 and received in the offices of the SEC on 12/16/03.

I'm only one small state registered investment advisor with less than $25 million under management, but if the SEC solution to late trading abuses becomes a rule, I will seriously consider terminating my on-going supervision and management of client portfolios. ETFs, individual stocks and bonds, hedge funds, closed end funds are all too risky for my clients and myself and frankly for many other mutual fund shareholders. My decision will hurt my clients, but what choice do I have? I will not put my clients' portfolios at risk under my watch.

It is a sad commentary on our times when solutions like the SEC's proposal for curbing late trading abuses is so much more detrimental to investors than the abuses they are trying to stop. Please reconsider your proposal.

Yours truly,

Bruce W. Davis

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Note: MA Investment Advisor Registration #4357
IA Firm CRD # 130042 (set-up in process)