

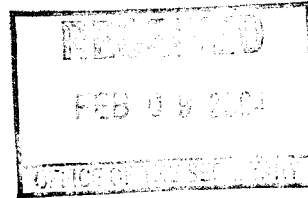
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February 5, 2004



EDWARDS.

Mr. Jonathan G. Katz  
Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0609



**RE: Amendments to Rules Governing Pricing of Mutual Fund Shares  
(File No. S7-27-03)**

Dear Mr. Katz:

Thank you for the opportunity to comment on the proposed rule for "Governing Pricing of Mutual Funds Shares." We particularly appreciate that you that have requested suggestions for alternative approaches to a "Hard Close".

We believe imposing a 4:00 EST (market close) cut off for the submission of orders to the funds would create an inefficient and confusing environment for investors. As you saw from your review of breakpoints the customer pricing privileges allowed by the multitude of fund groups is extremely complex. The fund groups are very competitive in their pricing structure and have numerous discount opportunities available ranging from linking husband and wife, children to in-laws, or special groupings of entities. Some of the checks for these breakpoints can be performed electronically but many must be reviewed manually. This takes time in order to ensure that each transaction gets the proper discount.

If a "Hard Close" was regulated the intermediaries might be forced to impose their own earlier internal close which we believe would be unfair to the investor and the fund industry and disenfranchise our clients. Many things can occur in the last hour or so of trading, and to do so would seriously impair the fund industry. If firms were to allow for order acceptance up until the market closes, trades would need to be corrected the next day to adjust for the proper discounts even though the information is known the day of the trade but not until after the close.

The infrastructure for intermediary transactions with the fund groups is through the National Securities Clearing Corporation (NSCC) Fund/Serv electronic system. It was designed to facilitate interactive (real time) multi-batch or single batch transmission of orders and executions. There are very few brokers and no fund groups that transmit in an interactive mode and most use multi-batch or single batch input to submit their orders. These transmissions normally are sent in various intervals throughout the day to NSCC and subsequently are reported to the funds. With a hard close many orders may not have the opportunity for closer inspection to ensure the investor receives the most favorable discount.

As we stated earlier, a mutual fund order needs time for operations personnel to review before it is transmitted so that investors receive the proper breakpoints on the original submission. Even though many things can be done electronically to check for account linkage for Rights of Accumulation, Net Asset Value (NAV) Transfers, and NAV Reinstatements, much of it is a manual process. Because of the numerous and varying rules that each fund family allows, many of these orders need to be reviewed and held in the home office computer of the intermediaries before they are sent to NSCC. If they are not properly checked, investors may not receive the discounts to which they are entitled.

We recommend an industry task force of operations professionals be established to create a "bulletproof and auditable" way to allow for late transmission of orders to NSCC in the current infrastructure of the clearing system that will prevent the type of abuses you are trying to correct.

One way could be to require the time of the order's receipt by the home office computer of the intermediary to be a required field on the submission to NSCC. Any order sent to them with a time indicator after 4:00 PM EST or market close would be rejected. This would allow firms to "enrich" orders for limited changes, such as "bought B shares that should have been A, Rights of Accumulation, Net Asset Value Transfer or Reinstatement and account number changes". No cancellation requests should be permitted. This would allow the account to be set up and the order priced correctly at the time it was submitted. In addition, fund companies should not be permitted to accept "phone orders" from Fund/Serv members and this could be a mandatory requirement for membership in the system.

As stated earlier there could be alternative methods to prevent "late trading" that should also be studied to find the best and most cost effective way to solve the issues of late trading. This could be accomplished by the task force.

As far as your suggestion for an annual certification, the intermediaries home office policies and procedures should be in place and designed to prevent late trading, so that no branch office trades are input into the home office computer after the close. We suggest that this could be performed by each firm's Internal Audit Department annually and their review submitted to the Commission.

We believe that these approaches would stop the abuses you have uncovered with late trading and would be a cost efficient and investor friendly environment that would be creditable and auditable.

We also appreciate that your proposal recognizes and contains a special provision for exchange orders (section B second paragraph):

*"Our proposed amendment also contains a special provision for exchange orders. An investor who exchanges between two funds, actually engages in two transactions - a redemption of securities he owns in one fund and a purchase (using the redemption proceeds) of securities in another fund. Typically, exchanges*

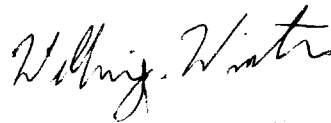
*between funds in the same fund complex, and sometimes in different complexes, are processed as a single transaction so that they receive the same day's prices. In the case of an exchange involving a fixed number of shares (e.g., in which the investor redeems all of his shares of the first fund), neither the amount nor the number of shares of the second fund will be known until the NAV of the first fund is determined, which will be sometime after 4:00 p.m. To preserve the ability of funds to offer "seamless" exchange transactions, we propose to define "order" to include a direction to purchase redeemable securities of the fund using proceeds of a contemporaneous order to redeem a specific number of shares of another."*

We strongly support this section of the proposal and believe it will allow investors to go from one industry sector to another or one fund family to another seamlessly when clients believe it's important to their investment strategy. Many investors have done very well with asset allocation programs and this part of the proposal would permit them to continue without the necessity of having to wait until the next day for the buy side of the reallocations.

Once again, thank you for the opportunity to comment and hope these suggestions are helpful to the Commission. If you have any questions, please feel free to contact me.

Sincerely,

A.G. EDWARDS & SONS, INC.



William J. Winter  
Senior Vice President  
Cashiers Dept/Mutual Fund Operations