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Congress of the United States
House of Representatives

June 1, 2004

SM-27-03

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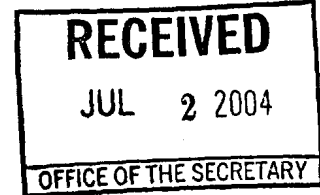
SUBCOMMITTEE ON CRIME, TERRORISM,
AND HOMELAND SECURITY

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INFRASTRUCTURE AND
BORDER SECURITY

SUBCOMMITTEE ON
CYBERSECURITY, SCIENCE, AND
RESEARCH & DEVELOPMENT

Mrs. Jane Cobb
Director of Legislative Affairs
Securities and Exchange Commission
450 Fifth Street, N.W., Room 6100
Washington, D.C. 20549



Dear Mrs. Cobb:

Enclosed please find a letter that I have received from my constituent, Deborah Van Horn, regarding her concern with the Commission's action to stop abusive after hours trading.

I would appreciate you looking into this matter and providing me with a response for my constituent. Please mail your response to my Harrisonburg District office at the address marked below.

Thank you for your assistance.

With kind regards.

Very truly yours,

Bob Goodlatte
Member of Congress

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Office of Legislative Affairs

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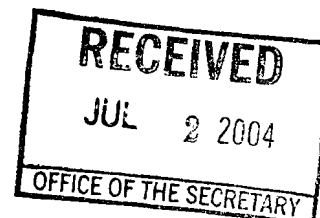
633 East Market Street, Harrisonburg, VA 22801
Telephone: 540-434-5344 FAX: 540-434-0390

57-27-03

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May 10, 2004

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



Re: Amendment to Rules Governing Mutual Fund Pricing:
Release No. IC-26288; File No. S7-27-03

Dear Mr. Katz:

The Rockingham Mutual Insurance Company sponsors an employee retirement plan. We commend the Commission for taking action to stop abusive after hours trading which can have a negative impact on the investments of retirement plan participants. We support a true 4:00 p.m. Eastern Time trading deadline that will protect plan participants. However, we are concerned about the significant adverse impact that the currently proposed 4:00 p.m. hard close rule (the "Hard Close") will have on our plan participants because of the trading limitations that will result from the proposed rule.

Currently, retirement plan participant trades are generally placed through a third party recordkeeper or other plan service provider ("PSP"). The PSPs have arrangements with mutual fund companies or their transfer agents that allow the PSPs to accept plan participant trades up until 4:00 p.m. Eastern Time and receive "same day" pricing. We are concerned that the Hard Close will require PSPs to impose a noon Eastern Time trading deadline on plan participants in order to ensure that the trades will be timely submitted to the fund companies.

PSP trading arrangements also make it possible for our plan participants to make exchanges from one investment option to another investment option within the plan on a same day basis. This allows plan participants to keep their retirement assets fully invested and avoid market fluctuation risk that would otherwise result from being out of the market over one or more days. These PSP arrangements also facilitate same day exchanges between funds from different fund families. This makes it possible for us to offer investment options in our plan from different fund companies which helps make our plan more attractive to our employees and helps diversify investment risk. The Hard Close will make these arrangements inoperable and expose our plan participants to greater risk.

While we support the efforts of the Commission to protect the rights of investors, we believe that the proposed Hard Close will harm our retirement plan participants more than the abuse that the Commission is attempting to eliminate. We urge the Commission to adopt a true 4:00 p.m. trading deadline for retirement plans by approving a secure time stamping alternative for retirement plan trading activity through PSPs. If PSPs are allowed to trade using secure time stamping our plan participants will continue to be able

to manage their retirement plan investments as they do today and avoid the adverse consequences of the Hard Close. We support a time stamping alternative that requires:

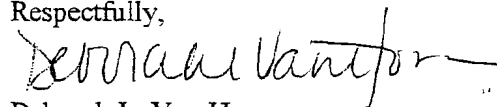
1. Secure or third party electronic time stamping;
2. An annual certification that the PSP has policies and procedures in place designed to prevent late trades, and that no late trades were submitted; and
3. An independent annual audit of the controls of the PSP (e.g. SAS-70 report).

We believe that this solution will adequately protect our retirement plan participants and other mutual fund investors from the potential for after hours trading abuses by intermediaries who handle retirement plan trades.

We are also concerned about another proposed solution that involves a trading clearinghouse. Our plan participants will suffer many of the same negative impacts as they would under the Hard Close. We understand that the proposed clearinghouse alternative (1) will result in virtually the same early trading cutoff for our participants as the Hard Close, (2) will require processing exceptions for only certain participant transactions resulting in either different trading deadlines or trading dates that will confuse our participants, (3) will be costly for the clearinghouse and PSPs to implement and maintain resulting in higher plan fees for our participants, and (4) will not eliminate the potential for abuse by PSPs who trade directly through their affiliated fund companies. We believe that these concerns and the costs associated with this alternative outweigh its advantages, if any, and make it inferior to a secure time stamping solution.

We applaud the Commission's efforts to stop late trading abuses and protect investors. We appreciate the opportunity to express our views to the Commission and urge it to adopt a balanced solution that protects retirement plan participants but does not cause them to suffer greater adverse consequences.

Respectfully,



Deborah L. Van Horn
Administrative Manager
Rockingham Mutual Insurance Company

CC: Representative Bob Goodlatte, Virginia 6th District
Senator George Allen
Senator John Warner