

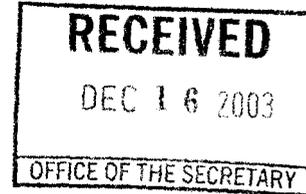
57-27-03

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#6

November 4, 2003

Stephen M. Cutler  
Director, Division of Enforcement  
U.S. Securities and Exchange Commission



Paul F. Roye  
Director, Division of Investment Management  
U.S. Securities and Exchange Commission

Dear Gentlemen:

I am a small, retail investor in mutual funds. I am outraged at the favors that a select few have obtained at the expense of the many, and am glad that you are taking steps to prevent future abuses. In the process of protecting mutual fund investors from the unscrupulous, I ask that you keep foremost in your minds the interests of small retail investors - and carefully consider whether each proposed protective measure might have unintended consequences. Two such potential unintended consequences jump out at me: the 4pm cutoff time, and redemption fees.

Cutoff time. With respect to the cutoff time, I am hopeful that you make no rule that would result in a pre-4pm cutoff at the mutual fund supermarkets. An earlier cutoff time would result in an uneven playing field for retail investors (like me) who invest through the large mutual fund supermarkets. This is because, if a major geopolitical event (like 9/11) were to occur between the earlier cutoff time and 4pm, I would be unable to sell my mutual funds while those persons whose assets are in stocks or directly at fund companies could sell (assuming, of course that the stock market is not closed). Additionally, an early cutoff time would stop investors at mutual fund supermarkets from using certain legitimate investment strategies: for example, many investors seek to "buy the dip" (i.e., make their investments at times when the market is down by 10%, or some other amount) - but, with an earlier cutoff time, it would be impossible to know whether there will actually be a "dip" at market close.

I recognize that it will not be easy to reconcile (a) the mutual fund supermarket investor's desire for a 4pm cutoff time, and (b) the need to stop fraud by imposing a hard 4pm cutoff at the fund level. However, I urge you to use your best efforts to develop a regulatory schema that attains both goals. Perhaps the fund supermarkets and other broker-dealers can be allowed to submit orders after 4pm, so long as they have been electronically and unalterably time-stamped before 4pm. Perhaps, intermediary organizations can be given the job of time-stamping the orders. Or, perhaps there is no practical difference between a 4:00 and 4:30 "hard" cutoff time (so long as rules and enforcement are still geared toward 4pm), allowing for the later "hard" cutoff. However the end result is attained, I believe that preserving the investment flexibility of millions of retail investors by letting them keep the 4pm cutoff time is more important than eliminating the most remote and farfetched opportunities for mischief - which are the only opportunities that

will remain in light of the stricter rules, greater awareness, and heavier enforcement that this unfolding scandal will beget.

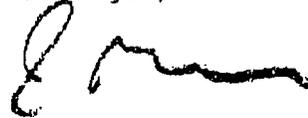
One **now** thought on this topic: a pre-4pm cutoff time at mutual fund supermarkets would work to the disadvantage of persons **who** invest through these fund supermarkets (when compared to those who invest directly with fund companies). Thus, please **be** mindful of possible ulterior motives **of** the mutual fund industry: they may be supporting a regulatory scheme that results in an earlier cutoff time **for** fund supermarkets in the hope that people move assets from the supermarkets to the fund companies.

Redemption Fees. I have heard that the SEC is considering whether to impose early redemption fees on mutual fund sales. Again, I urge you to consider the unintended consequences of *your* regulations - which may be far more severe than the harm that is prevented. Such fees would catch many persons who are (1) ignorant, clueless, or careless with their investments, (2) facing an urgent need to redeem their money, or (3) wishing to exit the market quickly due to a change in investment conditions (for example, in response to a major political or economic shock, such as the 9/11 attack or the LTCM crisis). Of course, either early redemption fees, or fair value pricing, or both, are necessary with respect to *international* funds. But I can see no net benefit from such fees with respect to *domestic* funds - and, of course, fair value pricing is not an issue with domestic funds.

The imposition of additional, across-the-board fees is, I believe, also philosophically inconsistent with the wonderful trend of the last decades to reduce fees (via competitive commissions & decimalization). Please be careful prior to imposing additional fees on investors. Surely the same objectives can be accomplished via less extreme means - such as giving those funds that are susceptible to market-timers (e.g., international funds) the choice of whether to value price or impose redemption fees.

In conclusion, *please* remember to keep the playing field level for retail investors as you stop the miscreants. So long as the playing field is level, mutual funds are still the best vehicle **for** small investors, as they offer low commissions, no bid-ask spreads, and ease of diversification. But, if the playing field does not stay level, some mutual fund investors (including perhaps myself) will be tempted to enter the riskier world of stocks.

Thank you,



Jussi Snellman

# FAX COVER PAGE

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**DATE:** November 4, 2003    **TIME:** 3:09 PM

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