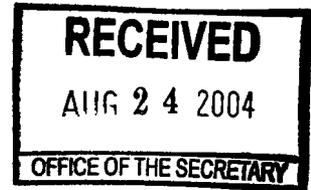


RALPH S. SAUL

3030 ONE LOGAN SQUARE
18TH & CHERRY STREETS
P.O. BOX 7716
PHILADELPHIA, PA 19102



215 523-5051

FAX 215 523-5055

32

August 18, 2004

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

Re: File No. S7-30-04

Dear Mr. Katz:

I am submitting these brief comments on the Commission's proposal to require the registration of hedge funds under the Advisors Act of 1940.

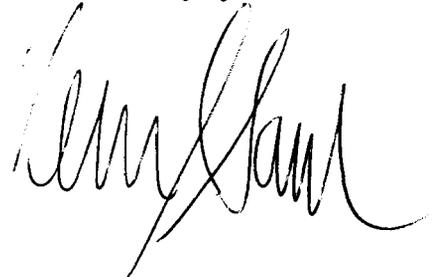
For the following reasons, the proposal should be adopted as promptly as possible:

- ° Over many years, the Commission has for the protection of investors subjected market professionals to a complex set of regulations. With their privileged access to the markets and the fact that they may handle other people's money, they have special obligations to their clients and the markets. Managers of hedge funds are indeed market professionals but they have remained outside of the regulatory reach of the securities laws.

- ° The operations of hedge funds entail special risks. They manage money in secret, their fee structures are bloated, their investment policies are opaque, and most of their clients have little or no understanding of what they are doing. Based on the long experience of the Commission with blind pools, this combination of facts is a recipe for trouble.
- ° The Commission has imposed upon other market professionals -- broker-dealers and investment companies -- the duty to supervise. Many hedge funds are managed by a small group of professional traders without the supervision they would have in a large firm. In a large broker-dealer firm, proprietary trading would be subject to rigid supervision, particularly because of the risks to the firm's own capital and to the firm's reputation if something goes wrong. Unconstrained by these limitations, the hedge fund may take risks that would be inconceivable as employees of a larger firm. In its final release, the Commission may want to emphasize the importance of the duty to supervise no matter what the size of the hedge fund.
- ° Finally, the hedge fund has introduced into the public securities markets a major new source of proprietary trading. While hedge funds add liquidity to the markets, they do so at the cost of increased volatility and trading activity that may flirt with outright manipulation. Increased dealer activity in a public market creates its own hazards and risks for public investors.

I hope these comments are helpful to the Commission.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Tom Gamm". The signature is written in a cursive, flowing style with a long, sweeping tail that extends to the right.