

MEMO# 17915

August 25, 2004

ALTERNATIVES TO SEC "HARD 4 PM CLOSE" PROPOSAL; CONFERENCE CALL SCHEDULED FOR AUGUST 30 AT 2:00 PM

[17915] August 25, 2004 TO: PENSION COMMITTEE No. 39-04 PENSION OPERATIONS ADVISORY COMMITTEE No. 57-04 OPERATIONS CHAIRMAN ADVISORY GROUP No. 1-04 RE: ALTERNATIVES TO SEC "HARD 4 PM CLOSE" PROPOSAL; CONFERENCE CALL SCHEDULED FOR AUGUST 30 AT 2:00 PM As you are aware, the SEC has proposed that all orders to purchase and redeem mutual fund shares be received by the fund, its designated transfer agent, or a registered securities clearing agency by the time the fund calculates its net asset value to receive that day's price (a "hard 4:00 pm close").¹ In its support for a hard 4:00 pm close, the Institute has repeatedly stated that the list of entities that may receive orders on behalf of the fund by the 4:00 p.m. cutoff should be revisited if the SEC determines that technology exists to prevent late trading abuses.² Attached for your review are drafts of two alternative proposals currently being considered by the SEC staff for expanding the list of entities eligible to receive orders by 4:00 pm Eastern time: (1) the "SPARK" proposal and (2) the "SMART 4" proposal. To discuss the details of these approaches, a conference call has been scheduled for Monday, August 30, at 2:00 p.m. Eastern time. If you would like to participate in this call, please complete the attached response form and fax it to Brenda Turner at (202) 326-5841 or e-mail at bturner@ici.org by noon, Monday, August 30. To participate in the call, please dial 888-426-8928 and enter passcode 37885. If you have any questions about the call, please contact the undersigned at 202-326-5837 or tkim@ici.org. Thomas T. Kim Associate Counsel Attachments (in .pdf format) 1 See Institute Memorandum (#16874) to Accounting/Treasurers Members No. 56-03, Operations Members No. 42-03, Pension Members No. 54-03, SEC Rules Members No. 182-03 and Small Funds Members No. 82-03, dated December 12, 2003. 2 See, e.g., Institute Memorandum (#17087) to Accounting/Treasurers Members No. 5-04, Bank and Trust Advisory Committee No. 2-04, Broker/Dealer Advisory Committee No. 5-04, Pension Members No. 12-04, Pension Operations Advisory Committee No. 13-04, Operations Members No. 9-04 and Transfer Agent Advisory Committee No. 18-04, dated February 9, 2004.