May 7, 2004

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

File No. S7-11-04

Integrated Fund Services, Inc. (Integrated) appreciates this opportunity to comment on the Commission's proposed rule 22c-2 [17 CFR 270.22c-2] and proposed amendments to rule 11a-3 [17 CFR 270.11a-3] under the Investment Company Act of 1940. Integrated supports the Commissions efforts to deter market timing.

Integrated provides transfer agent, fund accounting, distribution, and administration services to mutual fund companies. Integrated is a wholly owned subsidiary of the Western & Southern Financial Group, a Fortune 500 Company and nationally recognized leader in consumer and business financial services.

Integrated supports rules that provide fund companies with additional tools that help them identify and deter market timing, however, we believe the Mandatory Redemption Fee Rule and the mandatory 4:00 p.m. Cutoff Rule proposals that have been presented will be more harmful than helpful to shareholders.

Integrated suggests that any rules that are adopted should allow fund companies to determine which tools are appropriate for their business. There is no single action, no “silver bullet” that could be used by a fund company to eliminate market timing. Prior to recent regulatory scrutiny on market timing and late trading, many funds had already imposed a redemption fee as a component of an overall market timing surveillance program. Many funds have already included disclosures in their prospectuses prohibiting market timing. Many funds have already included disclosures in their prospectuses that inform investors that the funds have the right to refuse any trade that might be detrimental to the fund. Many funds have imposed limits on the number of exchanges that an investor may initiate in a specified period of time. Many funds have systems and reporting in place that actively monitor frequent inflows and outflows.

Despite these programs, market timers have been successful in bypassing the rules of some funds. However, there are many more funds that have been successful in controlling market timing. We suggest that in firms where there is a management culture of compliance that places high importance on effectively designed and implemented controls, market timing, among other things, has been mitigated. For this reason, we

applaud the Commission and their recent adoption of the Compliance Program Rule and we believe that the Commission's requirement for firms to have policies and procedures in place reasonably designed to ensure compliance with its disclosed polices regarding market timing to be an appropriate measure. We also believe that the Commission's approach with the Compliance Program Rule is the right approach to address industry issues such as late trading and market timing.

We also applaud the Commission's recent adoption of amendments to Form N-1A under the Securities Act of 1933 and the Investment Company Act of 1940 to require open-end management investment companies to disclose in their prospectuses both the risks to shareholders of frequent purchases and redemptions of investment company shares, and the investment company's policies and procedures with respect to such frequent purchases and redemptions. We believe that this amendment coupled with the Compliance Program Rule provides an effective combination that helps firms address market timing.

We encourage the Commission to continue to develop regulations that address the issues such as market timing and late trading in a way that provides deterrence rather than disadvantage the average shareholder. The proposals regarding market timing and late trading disadvantage shareholders in several ways that have been addressed by countless other commenters and we will not belabor those points here.

We would like to comment on the section of the proposal that deals with the exchange of trading data between intermediaries and fund transfer agents. While each of the scenarios described may be technically possible, we believe that such an exchange of data would be not only very costly to implement and maintain but extremely difficult to manage. The growth of omnibus accounts over time has made it difficult if not impossible for mutual funds to apply its rules uniformly across all shareholders. As has been evidenced in the recently uncovered failure by intermediaries to provide appropriate breakpoint discounts, intermediaries have difficulty conforming to fund rules. It is clear that market timing and late trading has been conducted through omnibus accounts controlled by intermediaries. Therefore, it seems logical that corrective action be directed toward those intermediaries. An extreme approach would be to place limits on omnibus accounts in terms of the number of underlying shareholders. Other approaches could include:

1. Require intermediaries to:
    a. Have appropriate procedures and controls in place to ensure that its underlying shareholders are abiding by fund rules;
    b. Ensure that the policies and procedures are annually reviewed by an independent auditor;
    c. Ascertain whether or not a particular transaction is required for a legitimate reason.

We understand the Commission's concern regarding shareholders who attempt to hide their market timing activities through omnibus accounts, however, we believe that there are a number of regulatory requirements that govern intermediaries and place the onus on

those intermediaries to identify and prevent market timing. The Know Your Customer rule and the Anti-Money Laundering Program Rule both require that broker/dealers be familiar with their customers. The AML Program Rule requires that a broker/dealer ascertain whether or not a particular transaction is required for a legitimate reason. Certainly, a reasonable person could not view market timing that is not allowed by a fund's prospectus as legitimate. Indeed, any broker/dealer who has a customer who engages in or attempts to engage in such activity should, at a minimum, file a Suspicious Activity Report.

For the reasons described above, we do not support the Mandatory Redemption Fee proposal or any proposal that applies not only mandatory fees to innocent shareholders but also excessive costs to the industry for implementation. The Proposal is unfair to shareholders. The Proposal is too expensive for funds and intermediaries. Finally, the recently adopted Compliance Program Rule and the Disclosure Regarding Market Timing Rule already provide the funds with the tools necessary to address market timing making the Mandatory Redemption Fee Proposal unnecessary.

We thank you for the opportunity to make the foregoing comments. Please contact me at (513) 362-8076 if you need any additional information, or have questions or comments regarding the above.

Respectfully submitted,

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Vice President
Integrated Fund Services