



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

April 30, 1998

Timothy P. Cusick
Senior Vice President - Investments
Paul F. Siegel
Financial Advisor
Prudential Securities Incorporated
701 B Street, Suite 1700
San Diego, CA 92101

Dear Messrs. Cusick and Siegel:

Thank you for your letter dated April 1, 1998 regarding the ability of investors to transfer mutual fund shares from an account with one brokerage firm to an account with another firm. You note that several brokerage firms, including your own, have entered into agreements to enhance the portability of mutual fund shares, and you ask when other industry participants will be required to do the same.

I agree that mutual fund portability is an important issue. A lack of portability may hurt investors by forcing those who wish to change brokerage firms to liquidate their mutual fund holdings, possibly leading to unfavorable tax consequences and additional sales charges. I have consistently implored the industry to take the steps necessary to make mutual fund shares fully portable.

In the past, industry representatives have represented to the Commission and its staff that progress was being made in this area, and that mutual fund shares were becoming more portable. Based in part upon these assurances, the Commission has not taken any regulatory action in this area. I have been distressed to learn that industry progress has been slow, and in the case of some firms, non-existent. If the portability of mutual fund shares does not improve significantly, the Commission may have to reconsider whether it is appropriate to take regulatory action.

In addition, I feel very strongly that any significant restriction on portability must be disclosed to fund investors. The Commission has asked the staff to work with the National Association of Securities Dealers, Inc. to devise means of alerting investors who purchase shares of funds through broker-dealers about any restrictions on portability.

Timothy P. Cusick
Paul F. Siegel
Page 2

Thank you again for your letter. I very much appreciate the efforts of Prudential Securities to make fund shares portable, and will continue to strongly encourage others to follow your lead. If you have any additional questions, you may contact the Office of Chief Counsel of the Division of Investment Management at (202) 942-0660.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Levitt", written in a cursive style.

Arthur Levitt
Chairman