STATE STREET.

State Street Corporation

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Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Via e-mail: rule-comments@sec.gov

Re: Investment Company Liquidity Disclosure (Release No. IC-33046; File Number S7-04-18)

Dear Mr. Fields:

State Street Corporation ("State Street") appreciates the opportunity to comment on the Securities and Exchange Commission's ("Commission") proposed amendments to the reporting and disclosure of liquidity information by registered open-end investment companies (the "Proposal").[1] Specifically, the proposed rule seeks to: (1) rescind the current Form N-PORT requirement to publicly disclose aggregate liquidity classifications and instead require a new disclosure in the fund's annual shareholder report involving a narrative discussion of the operation and effectiveness of the fund's liquidity risk management program; (2) allow funds to report a single portfolio holding in multiple liquidity classification categories under certain circumstances; and (3) require the reporting of cash and cash equivalents holdings.

Headquartered in Boston, Massachusetts, State Street specializes in the provision of financial services to institutional investors. This includes investment servicing, investment management, data and analytics, and investment research and trading. With $33.284 trillion in assets under custody and administration and $2.729 trillion in assets under management, State Street operates in more than 100 geographic markets worldwide, including North America, Europe, the Middle East and Asia.[2] State Street is organized as a United States ("U.S.") bank holding company, with operations conducted through several entities, including State Street Global Advisors, its asset management division.

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[1] SEC Investment Company Liquidity Disclosure (March 19, 2018) available at *https://www.gpo.gov/fdsys/pkg/FR-2018-03-19/pdf/2018-05511.pdf.*
[2] As of March 31, 2018.

State Street appreciates the Commission's ongoing engagement with industry and its efforts to revisit certain aspects of the requirements relating to reporting and disclosure of liquidity information by registered open-end investment companies. Overall, State Street is supportive of the Proposal, but believes that certain modifications may help to alleviate confusion that may be caused by certain aspects of the Proposal. We support the proposed amendment to replace the requirement that funds publicly disclose their aggregate liquidity profile each quarter on Form N-PORT, with a narrative discussion of the operation and effectiveness of the fund's liquidity risk management program in the annual shareholder report's management discussion of fund performance ("MDFP"). This narrative disclosure will allow funds to tailor the disclosure to their specific circumstances and will help to provide context to a fund's liquidity risk.

Additionally, although we support the proposed flexibility to classify a single position into multiple liquidity classification categories, we are concerned that it may cause confusion for investors and may make it difficult for the Commission to interpret data. We also support the reporting of cash and cash equivalent holdings using the existing definition in U.S. Generally Accepted Accounting Principles ("GAAP"). Finally, we recommend a delay in compliance for any changes made to the current Form N-PORT.

Classification of a Single Position into Multiple Liquidity Classification Categories

The Commission's proposed amendments to Form N-PORT allow funds the option of splitting a holding into multiple classification categories under certain circumstances. Specifically, a fund may split the classification categories for investments based on a percentage basis if: (1) a fund has multiple sub-advisers with differing liquidity views; (2) portions of the position have differing liquidity features that justify treating the portions separately; or (3) the fund chooses to classify the position through evaluation of how long it would take to liquidate the entire position (rather than basing it on the sizes it would reasonably anticipate trading). If the fund chooses to adopt this multiple classification categories approach, the fund must indicate which of the three circumstances applies.

State Street supports the greater flexibility proposed for funds to split holdings between multiple categories, which we believe will allow funds more options for effectively reporting liquidity. It is possible, however, that the proposed approach may create unintended confusion in its application, particularly when mixing both the reasonably anticipated trade size ("RATS") and multiple liquidity classification approaches on an investment-by-investment basis. The Commission may want to consider a simpler approach and require use of a consistent methodology, either the RATS or a multiple liquidity classification approach across fund holdings. If use of a mixed approach is permitted, we suggest the Commission:

- Define "predominantly highly liquid fund";
- Clarify the steps that a fund must take to determine a highly liquid investment minimum when a mixed RATS and multiple liquidity classification categories approach is utilized; and

- Provide additional time for systems development, as the existing infrastructure and tools may not support the investment-by-investment classification of a single position into multiple liquidity categories.

Cash and Cash Equivalents

The Commission proposes an additional disclosure on Form N-PORT relating to cash and cash equivalents which would be made quarterly and publicly reported. The Commission also intends to make use of the U.S. GAAP definition of cash and cash equivalents, which defines cash equivalents as “short-term, highly liquid investments that are readily convertible to known amounts of cash and that are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.”

State Street agrees with the reporting of cash and cash equivalents, as we believe this was an unintended oversight in previous rulemaking. Additionally, we support defining cash and cash equivalents using the U.S. GAAP definition, as this definition is broadly used throughout the industry.

Compliance Date

The Commission is proposing a tiered set of compliance dates based on asset size which aligns the compliance dates with the revised Form N-PORT compliance date. Specifically, the Commission is proposing a compliance date of June 1, 2018 for larger fund groups[3] and requires these funds to maintain Form N-PORT information in their records no later than July 30, 2018.[4]

Although we understand the rationale for aligning the compliance dates for all liquidity-related reporting requirements, practically speaking any changes to existing N-PORT requirements may necessitate changes to data feeds and technology and therefore require additional time to implement. As such, State Street recommends that the industry be given six months to comply with any changes to the current Form N-PORT requirements, or in the alternative, six months after a final rule is issued to comply with the cash and cash equivalents reporting requirement.

Conclusion

State Street appreciates the Commission’s continued engagement with industry on changes to the reporting and disclosure requirements for liquidity risk management by investment funds. As noted, we are supportive of the Proposal but believe that modification or clarifications to the classification of a single position into multiple liquidity classification categories, and a delay in the compliance date for any changes made to Form N-PORT, will facilitate compliance and alleviate any potential investor confusion.

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[3] Larger fund groups are those funds with net assets of $1 billion or more as of the end of the most recent fiscal year of the fund.
[4] See Investment Company Reporting Modernization Temporary Final Rule (December 14, 2017) available at *https://www.gpo.gov/fdsys/pkg/FR-2017-12-14/pdf/2017-26922.pdf.*

Please feel free to contact me at [redacted] should you wish to discuss State Street's submission in further detail.

Sincerely,

Stefan M. Gavell