CAPITAL
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May 18, 2018

VIA EMAIL

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Investment Company Liquidity Disclosure (File No. S7-04-18)

Dear Mr. Fields:

We are writing on behalf of The Capital Group Companies, one of the oldest asset managers in the United States. Through our investment management subsidiaries, we actively manage assets in various collective investment vehicles and institutional client separate accounts globally. The vast majority of these assets consist of the American Funds family of mutual funds, which are U.S. regulated investment companies distributed through financial intermediaries and held by individuals and institutions across different types of accounts.

We support the SEC's proposal[1] to modify the reporting and disclosure of liquidity information of registered open-end investment companies by amending certain elements of SEC rule 22e-4.[2] In particular, we are supportive of the proposal to eliminate public disclosure of each applicable fund's aggregate percentage of investments allocated to each liquidity classification category, and the proposed new narrative discussion of the fund's

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[1] Investment Company Liquidity Disclosure, Release No. IC-33046 (Mar. 14, 2018), 83 Fed. Reg. 11905 (Mar. 19, 2018) (the "Proposing Release").
[2] Investment Company Liquidity Risk Management Programs, Release Nos. 33-10233, IC-32315 (Oct. 13, 2016), 81 Fed. Reg. 82142 (Nov. 18, 2016).

liquidity risk management program to be included in the annual report. Accordingly, we urge the Commission to implement the proposed revisions to liquidity reporting and disclosure. The proposed revisions, with certain modifications as noted below, will provide clearer and more useful information to fund shareholders while continuing to allow the Commission to achieve its goals of promoting effective liquidity risk management throughout the fund industry and enhancing disclosure regarding fund liquidity and redemption practices.

1. The Commission should adopt its proposal to replace public disclosure of aggregate liquidity classifications with a narrative liquidity program disclosure in the annual report

We strongly support the proposal to remove the requirement to make public the fund's aggregate percentage of investments allocated to each liquidity classification category. We agree with the reasons for this change that are cited in the Proposing Release, such as the likelihood that this information would lead to investor confusion due to differing assumptions and methodologies used by different funds and fund families, and the possibility that this disclosure could lead investors to perceive liquidity risk as a factor more significant to the fund than other risk factors that may have more of an impact on the fund's risk and return profile. We also feel investors may face difficulty in accessing the public information as it would be provided in a structured data format on Form N-PORT. This may require investors to utilize third-party services to source and reformat the data for consumption.

We agree that an annual narrative that briefly discusses the operation and effectiveness of a fund's liquidity risk management program will provide more meaningful information to shareholders and will be additive to the current liquidity risk disclosures available to investors. This method of disclosure will afford funds the flexibility to include, for example, appropriate details and context concerning the liquidity risk profile of the fund and the liquidity risk management program. It will also allow for different levels of detail between funds with dissimilar liquidity risk characteristics. For example, a fund that has experienced significant redemptions during the fiscal year, or had significant holdings of investments that were subject to limited liquidity during the year, would be able to provide additional details surrounding those situations and the approach to managing them. Funds that did not experience such events would accordingly be able to provide a more concise narrative.

2. Comments regarding the narrative disclosure

We believe that the Commission could further enhance the proposed narrative disclosure by taking the additional steps outlined below.

a. Exemption for funds that primarily hold Highly Liquid Investments

First, we suggest that the narrative disclosure should not be required for a fund that primarily holds Highly Liquid Investments. The liquidity risk of a fund that primarily holds Highly Liquid Investments is likely to be rather low and would be a less significant issue for investors. Therefore, the narrative may not provide much, if any, helpful information, may be very similar from year-to-year, and may be quite similar to the narrative for other funds in the same fund family that primarily hold Highly Liquid Investments. The benefits to investors of including such disclosure would likely be outweighed by the cost and burden of including it in the annual report. Since SEC rule 22e-4 already exempts funds that primarily hold Highly Liquid Investments from setting a Highly Liquid Investment Minimum ("HLIM"), including related HLIM program requirements, we would suggest providing a similar exemption from the narrative disclosure for such funds.

b. Narrative placement in annual report

While we are supportive of placing the narrative disclosure in the fund's annual report, we do not believe that it should be required to be included in the Management Discussion of Fund Performance ("MDFP") section. We would suggest that funds be given flexibility to choose where in the annual report to include the disclosure. Some funds may choose to place the narrative in the MDFP, while other funds may prefer to locate the narrative in a different section, or create a new section specific to the liquidity program disclosure.

We believe this approach has several advantages. First, investors will continue to receive the disclosure in the annual report, which is likely to be more widely read and accessible to investors than some other types of documents. Additionally, there may be important reasons to include the disclosure in different places within the annual report based on a fund's particular circumstances, such as the materiality of liquidity risk on the fund's investment performance. The SEC's final rule and adopting release that established the MDFP directed funds to discuss in the MDFP the factors "that materially affected the performance of the Registrant."[3] The MDFP was developed to provide investors with a narrative disclosure of the fund's past performance and the reasons that materially contributed to that performance.[4] Accordingly, for funds whose performance has not been materially affected by liquidity issues, including a discussion of liquidity risks and the liquidity risk management program in the MDFP arguably detracts from the intended purpose of the MDFP. Finally, funds may hold different opinions regarding the best way to present the disclosure in a way that is helpful to readers, or may have differing operational and administrative considerations in placing the disclosure in certain sections of the annual report. Flexibility on placement of the narrative will help funds overcome these differences while allowing them to maintain the quality of the disclosure.

c. Period covered by narrative disclosure

The proposal requires that the narrative be based on the fund's most recent fiscal year. We would recommend providing some flexibility regarding the time period covered by the narrative. One alternative approach would be to discuss the operation and effectiveness of the liquidity risk management program during the same period covered by the most recent annual review of the program by the fund's Board, provided there have been no material changes to the fund's liquidity characteristics between that time and the end of the fiscal year. In cases where there were material changes between the time of the Board's review and the end of the fiscal year, the narrative would include discussion covering the period through the end of the fiscal year, as proposed. The Proposing Release notes that each fund will already be required to supply an annual written report on the program to the Board, and suggests that there would be little additional cost or operational burden to provide the proposed

[3] Disclosure of Mutual Fund Performance and Portfolio Managers, Release Nos. 33-6988, IC-19382 (Apr. 6, 1993), 58 Fed. Reg. 19050 (Apr. 12, 1993). *See also* Form N-1A, Item 27(b)(7)(i).
[4] Disclosure and Analysis of Mutual Fund Performance Information; Portfolio Manager Disclosure, Release Nos. 33-6850, IC-17294 (Jan. 8, 1990), 55 Fed. Reg. 1460 (Jan. 16, 1990).

narrative in the annual report, whose conclusions may be largely consistent with one another.[5] While we agree that funds may be able to leverage some of the content from the Board report for the annual report narrative, there is additional cost and burden associated with linking that time period to the fund's fiscal year. Many fund families are expected to provide the annual program report to the Boards of all of their funds at the same time, and not with regard to particular funds' fiscal years. Many fund families, including the American Funds, stagger their funds' fiscal years throughout the year, rather than having all fiscal years end at the same date. Under the current proposal, these circumstances would potentially require a fund family to create narrative disclosures for liquidity on an on-going basis, effectively year-round. We believe the flexibility proposed above would be beneficial to funds without decreasing the effectiveness of the disclosure.

d. Guidance concerning tailored disclosure

Finally, the Proposing Release notes that the narrative disclosure allows funds to tailor disclosure to their particular liquidity risks and how they manage those risks. We believe that the Commission should clarify that expectations on the degree of tailoring should be informed by a fund's liquidity characteristics. For example, funds that carry significant liquidity risks, or recently faced liquidity challenges such as large redemptions during the year, could deem it appropriate to provide more detail and a more customized and tailored narrative specific to these circumstances. However, many funds may face relatively insignificant liquidity risks due to the nature of their holdings, principal investment strategies, projected cash flows, shareholder concentration, and other elements contemplated by their liquidity risk management programs. We believe these funds will have relatively little change to their liquidity risk, or liquidity risk management programs, from year-to-year, and can reasonably be expected to keep the annual narrative quite brief. We also believe that it would be reasonable to expect different funds within a fund family to have similar and fairly consistent narratives if they face similarly immaterial liquidity risks and are governed by similar liquidity risk management programs.

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[5] Proposing Release, *supra* note 1, at n.39.

3. Compliance dates

The Proposing Release requests comment on the compliance dates for the revisions to the liquidity disclosures. For all requirements related to Form N-PORT (including the disclosure of cash and cash equivalents, the ability to split liquidity classifications, etc.), we propose that these items have a compliance date no earlier than the compliance date for N-PORT filings in the interim final rule.[6] For larger firms, this would begin with filings containing June 2019 data.

Regarding the new narrative disclosure to be included in Form N-1A, we propose a compliance date that begins no earlier than with annual reports covering fiscal years ending on or after December 31, 2019. As the compliance date for implementing the liquidity risk management program begins in December 2018, all funds will have had the program in place for a full year by December 2019, and could therefore provide a narrative that is based on operating the program over a reasonable period of time.

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We greatly appreciate the Commission's on-going efforts to improve the effectiveness of liquidity risk management across the fund industry and the quality of liquidity disclosure to investors. We thank the Commission for its consideration of our above comments, which we believe align with the goals of the liquidity risk management rule and are intended to make disclosure to shareholders as valuable as possible. If you have any questions, please feel free to contact Herbert Y. Poon at [redacted] or Matthew E. Knihtila at [redacted].

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[6] Investment Company Liquidity Risk Management Programs; Commission Guidance for In-Kind ETFs, Release No. IC-33010 (Feb. 22, 2018), 83 Fed. Reg. 8342 (Feb. 27, 2018).

Sincerely,

Herbert Y. Poon

Senior Vice President and Senior Counsel – Fund Business Management Group
Capital Research and Management Company

Matthew E. Knihtila

Assistant Vice President and Manager – Portfolio and Global Reporting Compliance
Capital Research and Management Company

cc: The Hon. Jay Clayton
The Hon. Robert J. Jackson Jr.
The Hon. Hester M. Peirce
The Hon. Michael S. Piwowar
The Hon. Kara M. Stein
Dalia Blass, Director, Division of Investment Management