SACKS EQUALIZATION MODEL

Sacks Equalization Model Inc.

November 30, 2015

To: The Commissioners of the U. S. Secritities & Exchange Commission

Re: Proposed Rule: Open-End Fund Liquidity Risk Management Pricing; Swing Pricing (release Nos 33-9922)

We wish to comment on the "Swing Pricing" section of the proposal.

As stated in your proposal "When a fund trades portfolio assets as a result of purchase or redemption requests, costs associated with this trading activity can dilute the value of the existing shareholder' interests in the fund". The fact is that it is estimated that this trading activity fees and including market impact costs, are costing existing shareholders an estimated total of $20 billion a year. These are calculations from the Investment Company Institute's ***Investment Company Fact Book*** and various SEC public documents. This is all documented by a research paper ***Mutual Fund Liquidity and Conflicts of Interest*** written by Dr. Miles Livingston of the University of Florida and Dr. David Rakowski of the University of Texas and published in ***The Journal of Applied Finance.***

Although the "Swing Pricing" proposals are a step in the right direction, some of your proposals still leave existing shareholders with the same price dilution problems, although a bit diminished.

Your proposal which illustrates "forward pricing" and its net capital flows states "thus, the price that a purchasing shareholder pays for fund shares customarily does not take into account the market impact costs and trading costs that arise when the fund buys portfolio assets in order to invest proceeds of shareholder purchases. Likewise, the price that a redeeming shareholder receives for fund shares customarily does not take into account the market impact costs and trading costs that arise when the fund sells portfolio assets in order to meet shareholder redemptions. Going forward, however, the NAV of the fund shares held by existing shareholder does not reflect these costs, and thus these costs are borne not by the purchasing or redeeming shareholders but by all existing fund shareholders."

The forward pricing method still leaves the existing shareholders with a large price dissolution.

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Participant SACKS EQUALIZATION MODEL

Our organization is the owner of a US Patent - "Sacks Equalization Model" - that would fulfil the requirements of "Swing Pricing" in a complete equitable way for all mutual fund shareholders and meet all the requirements of the SEC proposals.

"Forward pricing" or net capital flows such as the European method, contains a major disadvantage for existing mutual fund shareholders. This method is based on excess purchases and liquidations on a particular day. Only if the purchases exceed a particular threshold then the purchasers would then pay an additional charge, so that liquidating shareholders would sell at an unfair price to the detriment of the existing shareholders. This would be a comparable scenario if the liquidations exceed the thresholds. If a day where thresholds are not exceeded, there is no adjustment whatsoever, to the complete detriment of the existing shareholders. The fact is that in 2014, the total mutual fund purchases in the US were at $18.7 trillion and the total redemptions were at $18.4 trillion. Even adjusting for various mutual funds, we can assume, by the law of averages, that there would have been very few days where the average mutual fund would exceed their threshold one way or the other, thus leaving existing shareholders without benefit and with the same dilution of their shares, thus "forward pricing" would be useless most of the time.

The Sacks Equalization Model solves the above inequities completely that is inherent in all mutual funds and thus makes it a "level playing field" for all mutual fund shareholders. This investment and liquidation model is an investment model for open-ended investments that takes into account the net asset value (NAV) of the mutual fund, the accumulated portfolio brokerage fees and market impact costs. For a purchaser of shares, the proportionate accumulated costs and fees are then added to the net asset value per share or the buying price. These fees are added to the NAV of the fund prior to the share purchase. Alternatively, with liquidations, the accumulated fees are subtracted from the NAV per share prior to the liquidation of shares and added to the NAV of the mutual fund. As accumulated fees for the existing portfolio change every day, primarily due to the trading of the portfolio, the fees charged could easily be adjusted on a daily basis, or on a periodically basis. This solves the problem of maintaining the true asset value for existing shareholders.

For participating mutual funds, the licensing fee for the Sacks Equalization Model is .015% of net assets annually. This fee would be cost effective as it would improve market performance because it would curtail frequent traders, institute better cash management along with decreased market impact costs, and possible customer law suites. It would also be very easy to implement.

Your proposals indicate that that "dual pricing" would be harder to implement than single pricing. We disagree with this premise as presently there is "dual pricing" with load funds (a buy price and a sell price), and there are funds with different series of stock with a multitude of prices on a single day. Again, "dual pricing" is easy to implement and would give existing shareholders the best benefits, by far, on a continuing basis.

The "Swing Pricing" proposals should take into consideration the unfair and uneven pricing that is detrimental to existing mutual fund shareholders, besides the liquidity issue. This amounts in total costs to them in the billions of dollars a year, is an amount too large for the SEC to ignore.

The SEC, taking into consideration all mutual fund shareholders, should mandate that the "Swing Pricing" proposals be made permanent and not be voluntary.

We would welcome the opportunity of meeting with you or your staff to discuss the above.

Very truly yours,

Seymour Sacks
President

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