Please note that the comments expressed herein are solely my personal views

Securities and Exchange Commission
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Chris Barnard

30 November 2015

- 17 CFR Parts 210, 270, 274
- Release Nos. 33-9922; IC-31835; File No. S7-16-15
- Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of Comment Period for Investment Company Reporting Modernization Release

Dear Sir.

Thank you for giving us the opportunity to comment on your proposed rule on: Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of Comment Period for Investment Company Reporting Modernization Release.

You are proposing a new rule and amendments to your rules and forms designed to promote effective liquidity risk management throughout the open-end fund industry, thereby reducing the risk that funds will be unable to meet redemption obligations and mitigating dilution of the interests of fund shareholders in accordance with section 22(e) and rule 22c-1 under the Investment Company Act. The proposed amendments also seek to enhance disclosure regarding fund liquidity and redemption practices. You are also proposing new rule 22e-4, which would require each registered open-end fund, including open-end exchange-traded funds (ETFs) but not including money market funds, to establish a liquidity risk management program. You are also proposing amendments to rule 22c-1 to permit a fund, under certain circumstances, to use “swing pricing”, the process of adjusting the net asset value of a fund’s shares to effectively pass on the costs stemming from shareholder purchase or redemption activity to the shareholders associated with that activity, and amendments to rule 31a-2 to require funds to preserve certain records related to swing pricing. With respect to reporting and disclosure, you are proposing amendments to Form N-1A regarding the disclosure of fund policies concerning the redemption of fund shares, and the use of swing pricing. Finally, you are proposing amendments to certain forms that would require disclosure of certain information regarding the liquidity of a fund’s holdings and the fund’s liquidity risk management practices.

The necessity for swing pricing; maintaining the equity principle

I welcome and support your proposed amendments to Rule 22c-1. The most important principles to uphold concern managing shareholders' reasonable expectations and maintaining the equity principle[1]. In particular, the aim of fund pricing should be to: employ a transparent and fair method of pricing; provide a fair valuation of the assets within a fund; appropriately allow for charges and expenses borne by the fund; provide a fair price on purchase and redemption of fund shares; and avoid cross-subsidies between different funds.

Swing pricing generally promotes the equity principle by mitigating the potential dilution of fund shareholders due to purchases and redemptions, and seeks to ensure that a fund's shares are purchased and redeemed at a fair price. Therefore I would strongly support strengthening the wording in proposed § 270.22c-1(a)(3) to require that funds employ swing pricing (e.g. a fund "will use swing pricing"), rather just permit funds to employ swing pricing. However, I support a flexible approach to swing pricing; for example, fund managers should be permitted to set swing thresholds by fund, and if appropriate, separately for purchases and redemptions (netted or not).

Swing pricing is a tried and tested method for promoting equity between stayers and leavers and is very common in other jurisdictions, for example in the European fund management industry. I therefore welcome your proposed amendments, which will promote fairness and definitely improve investor protection.

Yours faithfully

C.R.B.

Chris Barnard

[1] The equity principle states that shareholders not involved in a fund's share transaction should remain unaffected by those transactions.