Mr. Brent Fields, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE, Washington, DC, 20549-9303
January 12, 2016

RE: Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of Comment Period for Investment Company Reporting Modernization Release –File No. S7-16-15

Dear Secretary Fields,

Thank you for this opportunity to provide our comments to the SEC on its proposal for liquidity risk management within the open-end fund industry. Our comments in this letter focus on the elements of the proposal related to the promotion of effective liquidity risk management and practices aimed at enhancing disclosure of fund liquidity.

We have two main comments about the rule. First, we believe that the goals of the proposal could be better achieved by either (1) being very specific in the rule itself, or by (2) requiring an uninterested 3rd party to make the calculations, or by (3) requiring some kind of certification of the exact calculation approach. As noted on page 68 of the release[1], the Commission grants discretion to the funds to determine their own calculation method. The potential lack of conformity among calculation methods could make the reported numbers less meaningful, and therefore less useful to researchers and to investors.

Second, we support strongly improved guidance in the calculation of price impact, which is a vital element of assessing the liquidity categories listed on page 65 of the release, and is crucial to determining whether a sale might "materially affect the value of that asset"[2], yet is absent from the proposal. Although guidance on some factors for inclusion in these categories is provided on page 82 of the release, the price impact calculation is not explicitly described. Moreover, even the factors commonly tracked by 3rd party vendors that provide liquidity assessments (listed in note 205 of the release) fail to explicitly mention price impact.

We support the Commission's proposal to call for a position-level disclosure of liquidity risk rather than a portfolio-level approach. We believe that a portfolio-level approach suffers from the same shortcoming as Value-at-Risk calculations, which are used widely in a risk management context. Namely, measuring risk at the portfolio level, whether that be tail risk or liquidity risk, must confront the thorny question of dependence across assets, which is notoriously difficult to assess[3].

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[1] The specific release to which we refer here, and throughout the rest of this letter, is No. 33-9922.
[2] Definition of Three-Day Liquid Asset in proposed rule 22e-4(a)(8) and release pg41 note 105.
[3] Note that there is a substantial literature detailing the unappealing properties of aggregating portfolio risks via Value-at-Risk (see in particular Artzner, P. et al. "Coherent Measures of Risk" *Mathematical Finance* 9.3 (1999): 203-228).

Overall, our view is that a discretionary approach can create an opportunity for different parties to further their own interests, which in this case, may lead to managers underreporting expected price impact upon liquidation.

Sincerely,

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