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Filed Electronically: rule-comments@sec.gov
Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of Comment Period for Investment Company Reporting Modernization Release (Release Nos. 33-9922, IC-31835 (September 22, 2015) ("Proposing Release")

File No. S7-16-15

Dear Mr. Fields:

We would like to take this opportunity to respond and comment on the Proposing Release put forth by the U.S. Securities and Exchange Commission (the "Commission"). As set forth in the Proposing Release, the Commission is proposing a new rule and amendments to its rules and forms designed to promote effective liquidity risk management throughout the open-end fund industry (the "Proposal"). This letter addresses and highlights our concerns with respect to the effects that certain aspects of the Proposal may have on open-end funds (or "funds") that primarily invest their assets in senior loans and leveraged loans ("Loan Funds"). This letter does not seek to address other parts of the Commission's Proposal or to reiterate comments which our colleagues at other fund groups or in the mutual fund industry have covered in more detail with respect to funds other than Loan Funds.

Credit Suisse Asset Management, LLC ("Credit Suisse") supports the Commission's goal to promote effective liquidity risk management by funds by requiring them to establish a formal liquidity risk management program.[1] We believe that the Commission's initiatives will serve to increase attention and focus on the area of liquidity risk management by requiring fund managers to formally incorporate liquidity risk management as an important part of their portfolio management and risk management functions. The Proposal contains a number of requirements that funds would be required to put into place in order to manage and report on liquidity risk. As the investment manager to a Loan Fund[2], we are concerned that certain aspects of the Proposal (as more fully discussed below), do not take into account the unique characteristics of Loan Funds and, as currently proposed, may have an adverse impact on both the operations of Loan Funds and the perception of Loan Funds in the marketplace and with investors. This letter, therefore, serves to provide an overview of Loan Funds based on our experience and expresses our issues with certain aspects of the Proposal.

[1] The Commission has stated that effective liquidity risk management would reduce the risk that funds will not be able to meet redemption obligations and mitigate potential dilution of the interests of fund shareholders in accordance with, among other provisions, Section 22(e) of the Investment Company Act of 1940, as amended (the "1940 Act") and Rule 22c-1 thereunder. The Proposal would create a new rule, Rule 22e-4 under the 1940 Act, which would require open-end funds to establish a liquidity risk management program reasonably designed to manage liquidity risk.

[2] Credit Suisse Floating Rate High Income Fund (the "Fund"), with approximately $2.4 billion in assets as of December 31, 2015, invests its assets primarily in senior secured floating rate loans.

Characteristics and Liquidity of Senior Loans and Loan Funds

Loan Funds, sometimes referred to as senior loan funds, bank loan funds or floating rate funds, invest their assets primarily in senior loans or leveraged loans (collectively, "Loans"). These Loans, made to corporate and other non-governmental issuers, typically hold the most senior position in the borrower's capital structure, are typically secured by specific assets or collateral of the borrower and have a claim on the borrower's assets that is senior to claims held by the subordinated debt holders and stockholders of the borrower. Because Loans are secured by collateral, the recovery rates on defaulted Loans tend to be significantly higher than recovery rates on unsecured or subordinated debt in a work-out situation. Loans are typically rated below investment grade. The interest rates on Loans are adjusted periodically to a recognized base rate (typically the London Interbank Offered Rate or "LIBOR" or the prime rate offered by one or more major U.S. banks or "Prime Rate"). Because of these periodic interest rate adjustments, Loans generally have less duration risk than other fixed income debt instruments, and the values of Loans tend to be substantially less sensitive to changes in market interest rates than the values of other fixed-rate investments. Because Loans tend to trade on the basis of their overall capital structure and interest rate, which is known by market participants, the price volatility of Loans generally tends to be lower.

Loans are not traded on an exchange or similar market but through a secondary market comprised of dealers and other institutional participants. While many Loans are actively traded and liquid, Loans are subject to extended settlement periods. There are various reasons for this and settlement times will vary on a case by case basis. Certain delays may be attributable to the nature of a particular Loan (e.g., additional documentation may be required or the Loan is in the process of a restructuring), or the requirements of the administrative agent either from a regulatory (e.g., "Know Your Customer") or operational standpoint(e.g., ensuring that all paperwork is in order), or other legal conditions or limitations (e.g., complying with credit agreement covenants or obtaining consents). Industry initiatives have been proposed to try to reduce the settlement times of Loans but the fact remains that currently most Loans do not settle on a T+3 (three business days) or a 4 to 7 calendar day settlement timeframe. Obviously, a Loan Fund is subject to the risk that its counterparty will reneg on its settlement obligation, but in our experience, due to the related reputational risk to the counterparty, that is extremely rare, including in stressed periods like those referenced in this letter.

Despite their longer settlement periods, Loans that are acquired can be resold before the end of the settlement period relating to the acquisition, and there tends to be an active trading market for most Loans in which the Fund invests. We expect this is true for other peer Loan Funds. Notwithstanding this, in order to provide for liquidity to meet redemptions, Loan Fund managers may utilize a number of, or a combination of approaches which may include the following:

- Holding a portion of the Loan Fund's assets in cash, cash equivalents or other assets that can settle on a T+3 basis such as investment grade or non-investment grade corporate bonds or other short-term commercial paper, or U.S. government securities. The amount and type of assets will vary from fund to fund based on the fund's perceived liquidity needs (which will fluctuate) and the fund's investment objectives and policies which may permit or mandate investment in a certain portion of non-Loan assets.

- Establishing a line of credit outside of the custody account either with the Loan Fund's custodian or another bank in order to provide for short-term borrowing in order to help meet redemptions. The terms and the amount of the credit facility will vary. Certain Loan Funds will have a dedicated credit facility and other Loan Funds will share access to the credit facility with other funds in the fund complex.

- Setting up an interfund lending arrangement with other funds in the fund complex pursuant to an exemptive order from the Commission.

- Adding terms to the trade confirmation for Loan trades that settlement will be made via participation for cash management needs and will be elevated to assignment in a timely manner.

These approaches are utilized in various combinations depending upon the Loan Fund's investment objectives and policies, investor profile of the fund (e.g., retail investors, institutional investors, and benefit plan investors), distribution channels, general redemption patterns and market conditions at a given point in time, all of which are subject to change. However, notwithstanding the extended settlement times of Loans, Loan Funds have been able to meet redemptions in the challenging markets that the industry has witnessed over the past eight years, particularly during the credit crisis of 2007-2008 and the general market dislocation in August 2011 when Loan Funds experienced significant redemptions during short periods of time.[3]

Generally, on a daily basis, Credit Suisse will group a Loan Fund's assets into three general categories based upon whether the asset can be sold or disposed of in the ordinary course of business within seven days at approximately the value at which the asset is valued by the fund.[4] We believe that other Loan Fund managers use a substantially similar or identical categorization process. These categories would consist of the following:

- Cash, cash equivalents and securities that can settle on a T+3 basis;
- Assets that are liquid in that they can be sold in the market in 7 days but may be subject to a longer settlement time; and
- Assets that cannot be sold within 7 days and therefore are deemed to be illiquid.

This approach allows Credit Suisse, and we believe other Loan Fund managers, to quickly determine on a daily basis the actual availability of cash to meet redemptions. We and other Loan Fund managers seek to manage current and prospective liquidity by taking into account a number of factors such as expected inflows, expected and projected redemptions, redemption patterns, investor base, current fund liquidity and alternative sources of liquidity such as the existence of a credit facility. Additionally, in order to meet anticipated liquidity, managers may sell a range of a fund's assets over a certain period of time, both assets that settle on T+3 or sooner and assets that may involve longer settlement times. This may include selling portions of Loans that will settle at a time that cash may be needed for investment or anticipated redemptions. In this way both groups 1 and 2 are used in tandem in order to provide fund liquidity.

The Commission's Six Category Liquidity Classification Proposal

The Commission is proposing a six category classification system whereby funds and fund managers would classify each portfolio asset (or a portion thereof) according to the number of days it would take to convert the asset into cash at a price that does not materially affect the value of the asset immediately prior to sale. Funds would classify each portfolio asset or a portion thereof, into one of the following six baskets:

- Category 1 - convertible to cash within 1 business day.
- Category 2 - convertible to cash within 2-3 business days
- Category 3 - convertible to cash within 4-7 calendar days
- Category 4 - convertible to cash within 8-15 calendar days
- Category 5 - convertible to cash within 16-30 calendar days

[3] During the period from July, 2007 through December, 2008, despite experiencing significant waves of outflows, Loan Funds were able to meet investor redemptions. Similarly, during the market dislocations in 2011 as a result of the Greek debt crisis, a near U.S. government shutdown and action by the Federal Reserve Bank to keep interest rates at zero (prompting investor redemptions in anticipation of downward interest rate resets on Loans), Loan Funds were able to manage and meet investor redemptions.

[4] This is the Securities and Exchange Commission's current definition of liquidity.

- Category 6 - convertible to cash in more than 30 calendar days

We believe, based on our experience, that this categorization system does not realistically fit within the liquidity framework that many Loan Fund managers use on a daily basis (as discussed above) in order to manage and meet redemptions, which, for many day to day Loan Fund redemptions, occur on a T+3 settlement basis.

Generally, the Category 1 and Category 2 assets set forth in the Proposal would be grouped together with cash and cash equivalents in order to give a Loan Fund manager a more complete picture of the amount of assets available that day to fund redemptions on a T+3 basis. Category 3 is more fluid and certain assets in Category 3 (4-7 calendar days to cash) may become grouped into the first two Categories (as noted above) if certain requested redemptions are not expected to settle T+3 but instead settle within 4-7 calendar days.[5] This may change throughout the day or over several days but the total amount generally would be grouped into one basket. Regarding Loans that are held by the fund for investment and have not been sold, the Proposal's distinctions between Category 4 and Category 5 assets seems somewhat imprecise and subjective given the various settlement times in the Loan market, most of which cannot be known with the degree of precision that the Category 4 and Category 5 baskets seem to require. The imprecision of classifying Loans as Category 4 or Category 5 exists primarily because of the difficulty in determining the precise amount of time that would be required to settle a Loan outside of an actual pending sale. Another difficulty is determining the amount of time to locate or identify a buyer for the Loan to actually effect the sale in the first place. The Commission should determine that the amount of time to locate a buyer would not need to be factored into the day count in order to determine the time assets would convert to cash. This information is in itself extremely subjective and cannot be known with any precision unless the Loan Fund actually were to enter into a sale or, as a daily exercise, go out to the dealers each day not just to obtain a price but to locate an actual buyer in order to determine whether the asset could be sold that day or a subsequent day in order to count days in accordance with the terms of either the Category 4 or Category 5 baskets. Even if the time to locate a buyer is excluded, placement of an asset into Category 4 or Category 5 would be a best guess, pre-sale judgment or estimate on the part of the Loan Fund manager.

Different Loan Fund managers, using their best judgment, will naturally come to different conclusions as to which basket an asset should be placed in. This would result in different Loan Funds showing different liquidity results (more risky or less risky) even if some of these Loan Funds actually hold the same Loans. In an effort to improve the liquidity profile of their funds, some Loan Fund managers may take a more aggressive approach and choose the lower Category 4 for a majority of their Loan assets. Other Loan Fund managers may take a more conservative approach and choose Category 5, thereby making their fund appear riskier even though, as noted above, both Loan Funds may actually hold the same Loans. This would prove confusing to investors and create artificial perceptions in the market with respect to the two separate Loan Funds that may not actually exist.

Additionally, to require a six classification exercise to be performed on a daily basis would place a significant burden on a Loan Fund manager's resources, most of which are focused on actually managing liquidity and investing the Loan Fund's assets in accordance with the Fund's investment objective and policies, all as expected by the shareholders.

We believe, therefore, that the Commission should reconsider the six category liquidity classification system in favor of a system that approximates the general groupings that certain fund managers, including Loan Fund managers, actually use and have been using in order to manage redemptions.

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[5] These assets would include Loan assets that have already been sold and expected to convert to cash within 4-7 days because of their settlement date.

While we believe that the current practice has worked well for Loan Funds historically and continues to do so, if the Commission believes that a formal liquidity classification system is necessary in order for the Commission to collect information to better understand and track liquidity risk, we urge the Commission to simplify the current proposed categories into three, or at the most, four categories, which actually comports with the way we understand most funds and Loan Funds operate when they group their portfolio assets for liquidity management purposes. This would also reduce the burden on fund managers in terms of time and making reasonable - but imperfect - estimates, eliminate the ability to "manage" a fund's liquidity profile by choosing a lower Category 4 over the higher Category 5, and present a more realistic picture of actual trading and settlement times.

Definition of Liquidity Risk

Proposed Rule 22e-4 would define liquidity risk as the risk that "the fund could not meet requests to redeem shares issued by a fund that are expected under normal conditions, or are reasonably foreseeable under stressed conditions, without materially affecting the fund's net asset value."[6]

This definition appears to tie liquidity risk with the impact of redemptions and subscriptions on a fund's net asset value. We believe these two concepts are different. Joining the risk of not being able to meet redemptions with the risk that meeting redemptions may have a material impact on a fund's net asset value in the context of a liquidity risk management program, arguably, is something that may not be realistically achievable. In addition, an unintended consequence of conflating liquidity risk and valuation may be that the fund manager may be liable for declines in the fund's net asset value irrespective if such decline was solely attributable to redemptions. While funds can manage their assets in such a way so as to be able to provide for the right of redemption, a fund may not be able to provide for liquidity (in terms of redemptions) while at the same time seeking to avoid a change in the fund's portfolio holdings which may impact the fund's net asset value. In order to accomplish this goal, funds would have to be able to predict not just price movement but also a general market movement that may materially affect the price of an asset that the fund will need to sell in order to meet redemptions. Unless funds are prepared to keep substantial portions of their assets in cash and highly liquid instruments at all times, and thereby have fewer assets invested in accordance with a fund's investment objectives and policies, fund assets and the prices at which such assets can be sold will be subject to market movements that may have a material effect on a fund's net asset value at a given point in time, even if the assets can be sold in a timely manner to meet redemptions. While funds carefully value their investments in accordance with their valuation policies and procedures, market movements cannot be factored into prices beforehand, only in a current pricing context. Market risk is part of the investment risk for any security, whether it is an individual stock or bond or a mutual fund. Liquidity risk management is something that should be viewed as managing a fund's assets in order to meet redemptions, not necessarily managing a fund's assets in order to provide assurance that a portfolio holding will not decline when sold to meet redemptions. Defining liquidity risk according to the definition set forth in the Proposal may change the investment strategy of funds and limit their ability to achieve their investment objectives.

Three Day Liquid Asset Minimum

The Commission is proposing, under new Rule 22e-4, to require that funds establish a three-day liquid asset minimum whereby funds would hold a certain minimum of assets in three-day liquid assets in order to ensure that funds are able to meet redemptions with a minimal amount of dilution to shareholders' interests. The target minimum would be determined by applying certain prescribed factors provided in proposed Rule 22e-4, as well as sub-factors referenced in the Proposing Release, Funds would be

[6] Proposed Rule 22e-4(a) (7).

permitted only to acquire three-day liquid assets if the amount of such assets fell below the fund's three-day liquid asset minimum.

In addition to concerns put forth by other commenters with respect to possibly increasing systemic risk, we are concerned that a requirement to maintain a three-day liquid asset minimum could work to disadvantage the daily operations of Loan Funds. For example, in a scenario where a Loan Fund has used a portion of its three-day minimum to fund certain redemptions on a given day and subsequently receives inflows, the Loan Fund may not be able to completely put the money to work purchasing Loans until its three-day liquid asset minimum is once again restored. This will in effect limit the Loan Fund's ability to take advantage of attractive investment opportunities at a given time in accordance with its investment objectives. Additionally, during market downturns, Loan Funds may purchase Loans from other funds or other Loan Funds selling assets in order to meet redemptions. A mandatory three-day liquid asset minimum may also have the effect of limiting the ability of a Loan Fund to make these purchases, thereby decreasing overall market liquidity for Loans. As noted above, currently Loan Fund managers determine their minimum liquidity needs based on a number of factors and manage their funds daily liquidity basket in accordance with the Loan Fund's unique profile. We believe that a three-day liquid asset minimum should not be a formal requirement which may impede a Loan Fund from pursuing its investment objectives and policies or impede normal portfolio management which may include making nimble investment decisions when opportunities present themselves. Liquidity targets should be set by a fund's manager (rather than a fund's Board) in keeping with the fund's overall profile including but not limited to, its investment strategy, portfolio guidelines and investor base. These targets, if deemed appropriate, would be discussed with the fund's Board as part of the portfolio management and liquidity risk management process and adjusted periodically based on changing circumstances such as investor concentration and market conditions. Because liquidity is a fluid day to day situation, we believe it is best addressed and managed to current "facts on the ground."

Reporting and Disclosure of Liquidity

The Proposal includes amendments to Form N-PORT which would require funds to report to the Commission on a monthly basis the liquidity classification of each portfolio asset (or a portion thereof) under the proposed six-category liquidity classification system. This asset by asset information would be available publicly as of the last day of each quarter on a 60 day delayed basis. The Commission is of the view that public disclosure of this information will help investors make informed investment decisions by allowing them to compare fund liquidity profiles.

In addition to concerns about the staleness of the publicly disclosed information and the lack of supplemental information on the Form N-PORT in order to fully explain the information presented, we are concerned about the effects such disclosures will have on Loan Funds in both normal and stressed market conditions and that requiring funds to publicly report their asset by asset liquidity classifications without additional explanation or disclosures as to the meaning of the information would be particularly disadvantageous to Loan Funds. Additionally, such disclosure would highlight the difference in liquidity classifications for certain Loans by different fund managers.

Because Loan Funds hold a significant portion of their assets in securities that have extended settlement periods, a significant portion of a Loan Fund's assets will be in the Category 4 and Category 5 liquidity classifications. By characterizing such a sizable amount of assets as "less liquid" this may have the effect of introducing a perception in the market place that Loan Funds are generally illiquid and therefore may not be able to meet their redemptions. Investors may perceive these funds as riskier than funds with higher liquidity profiles. These liquidity classifications by themselves, and the manner in which they would be reported on Form N-PORT, may create a perception that Loan Funds are somehow riskier than funds with higher liquidity profiles notwithstanding the fact that Loan Fund investments may perform better from a credit, valuation and market perspective in a stressed environment than other funds that are perceived as less risky because of their liquidity profiles. In a normal environment, this may cause Loan Funds to be viewed less positively as an investment; in a stressed environment, this may cause a run on Loan Funds as investors, viewing these funds as having limited liquidity, rush to redeem their shares, thereby creating a scenario that in the past Loan Funds have managed to avoid and that the Commission's current Proposal seeks to prevent.

We have noted that even in stressed environments, notably 2007-2008 and in 2011, Loan Funds have been able to meet investor redemptions. Even in those environments, Loan Funds held similar assets to those that they hold today. However, it might be argued that investor perception may also have played a part. Perceiving that Loan Funds were liquid and able to meet redemptions, most investors did not feel the need to redeem their shares. By requiring funds to classify the liquidity of their assets in such a way so that in effect some funds, particularly Loan Funds, appear to have impaired liquidity and presenting this information publicly without additional explanation or information, the Proposal, as currently presented, may permanently change the investing public's perception of Loan Funds with possible consequences in a stressed economic environment. We therefore urge the Commission to consider alternative forms of disclosures regarding fund liquidity such as enhanced Prospectus disclosures. These disclosures would include a description of the Loan Fund's liquidity risk management program as well as the methodologies for setting liquidity targets and classification of assets.

We thank the Commission for the opportunity to comment on the Proposal and its consideration of the views and concerns expressed in this letter. We are available to further discuss our comments or to provide any additional information or market color that the Commission may find useful.

Sincerely,

John G. Popp
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