February 13, 2023

Via E-mail

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

Re: Proposed Rule Regarding Open-End Fund Liquidity Risk Management Programs and Swing Pricing (File No. S7-26-22)

Dear Ms. Countryman:

The independent directors and trustees (the "**Independent Directors**") of the registered investment companies advised by AllianceBernstein LP ("**AllianceBernstein**") listed in Annex A appreciate the opportunity to comment on the proposal by the Securities and Exchange Commission (the "**Commission**" or "**SEC**") for mandatory swing pricing and a "hard close" for all open-end funds registered under the Investment Company Act of 1940 ("**1940 Act**") other than exchange-traded funds and money market funds. 68 of the 73 funds we oversee are open-end funds that would be subject to the mandatory swing pricing and hard close proposed by the Commission (such open-end funds are referred to herein as the "**Funds**").

As Independent Directors, we comment from the perspective of the impact of the proposal on our Funds and their shareholders. From that perspective, we fail to see benefits to our Funds and their shareholders from the imposition of mandatory swing pricing or a hard close, and are very concerned that their implementation would involve significant costs to the shareholders of our Funds, and would likely result in inequities and investor confusion. Moreover, these changes would result in our Funds no longer being an attractive investment alternative for most of our current shareholders. Such significant changes would also introduce risks of other disruptions to a system that has been working well, some of which may not be possible to foresee.

We note that the Commission's proposals are extremely complex, and that the Mutual Funds Directors Forum and the Independent Directors Council are submitting comment letters on behalf of the independent fund director/trustee community. We have reviewed drafts of such letters and generally support the comments therein.

We have not commented on SEC rule proposals in the past, but are doing so in this case because of our profound concerns that the proposed swing pricing and hard close requirements would have a severely adverse impact on our Funds and their shareholders.

To summarize our comments, we urge the SEC to abandon its proposal for mandatory swing pricing and a hard close as we believe that they are both unnecessary, and would result in very serious harm (including harm that may not be possible to foresee at this time) to our Funds and those who invest in them. We believe that the Commission's highly prescriptive "one size fits all" proposal does not recognize that the management of cash inflows and outflows by open-end fund advisers, including in stressed market conditions, is part of fund advisers' responsibilities, and that the proposed measures are not required.

Mandatory Swing Pricing is Not in the Interests of Investors

We are extremely concerned about the inequities, costs, and potential investor confusion, of adjusting a Fund's net asset value ("**NAV**") on a given day, by potentially significant amounts that result in some investors being severely penalized for transacting on the given day, with others being significantly advantaged. We believe that the proposed mandatory and highly prescriptive methodology for computing swing factors is based on incorrect premises regarding how Funds' portfolio managers manage net redemptions and sales under both normal conditions and in periods of market stress.

As discussed in more detail below under "No Demonstrated Need for Mandatory Swing Pricing or Hard Close", we believe that no case has been made to justify mandatory swing pricing, with its costs, complexities and inequities, for all open-end funds other than money market funds and ETFs, and that mandatory swing pricing is unnecessary, unreasonable and contrary to the best interests of our Fund shareholders and investors generally.

Mandatory Hard Close Will Adversely Impact Investors

The Commission's proposal seeks to solve the operational obstacle to implementing swing pricing by requiring that orders be received by a fund by the time of pricing – typically 4:00 p.m. ET – in order to receive that day's NAV. We believe that the hard close would drastically decrease the attractiveness of mutual funds to investors and lead to outflows from open-end funds, including our Funds, to other products that would not be subject to a hard close.

We believe that Fund shareholders value the ability to place orders late in the trading day so they can have a general sense of the share price they will receive. This is a basic and well understood feature of mutual fund investing. Requiring orders to be placed significantly earlier in the day, or potentially even a day earlier, to accommodate the "hard close" risks severely diminishing the perceived value of mutual funds to investors that invest through intermediaries (including substantially all of the investors in our Funds).

In our view, investors (and their advisors) frequently, and reasonably, should be able to make purchase and sale decisions in response to market events that take place after whatever accelerated timetable their intermediary may have to designate to accommodate a hard close. For example, interest rate announcements by the Federal

Reserve generally occur at 2:00 p.m. ET. The Commission's proposed mandatory hard close would deprive many investors (i.e. those that place orders with intermediaries, including substantially all of the investors in our Funds) of the ability to wait until after such a market event occurs to make an investment decision. In other words, the proposal risks reducing a feature of mutual funds that we believe shareholders, and their intermediaries and other advisers, value highly - the ability to make an investment decision just before 4:00 pm ET on a business day, taking into account all the market information available until that time. It would make such investors "second class citizens" as compared to investors who place orders directly with funds, discriminating against those who prefer, or are required, to invest through intermediaries.

If adopted as proposed, we believe that the likely consequence of the Commission's proposals would be the substantial displacement over time of mutual funds offered through intermediated channels. Substantially all of the shareholder accounts held in our Funds are held through intermediaries. In the proposing release, the SEC appears to assume that intermediaries will upgrade their systems should the proposals be adopted in their current form. We strongly question this assumption. Given the competitive market and the availability of other pooled investment vehicles that are not regulated under the 1940 Act by the SEC, many intermediaries may decide to replace mutual funds with non-SEC regulated products or with investment products that are not registered under the 1940 Act. To an intermediary, if an alternative to implementing expensive and complex system and operational changes would be to consider other products—not subject to those very restrictions—we believe the alternative would be seriously considered and, in many cases, chosen.

Thus, we are troubled by the possibility that mutual funds may be replaced by less-regulated products— such as collective investment trusts and separately managed accounts, which have significantly less regulation, no independent oversight and less oversight by regulatory agencies, and therefore pose an additional risk to our shareholders who may be forced into these products in lieu of mutual funds, which are highly regulated, have significant oversight by a Board that includes independent directors, and robust oversight by their regulatory agency, the SEC.

Thus, the proposed hard close risks reducing protections for investors in general, increasing costs to investors that remain in registered open-end funds, adversely affecting investor choice and investment outcomes, and generally harming the best interests of tens of millions of fund investors.

<u>No Demonstrated Need for Mandatory Swing Pricing or Hard Close</u>

We question the factual impetus the SEC cites for its proposal. The SEC justifies the proposal largely on its description of the experiences of certain fund managers during the events of March 2020, and the potential for dilution of nonredeeming fund shareholders during stressed market conditions. Based on our observations, and after discussions with AllianceBernstein, we understand that to date (including in March 2020) our Funds have not experienced challenges managing sales and redemptions. We do not believe that dilution has been a significant issue for our shareholders nor do we believe that the Commission has provided sufficient evidence to substantiate its claim that shareholder dilution remains a serious problem for most funds.

We note that fund advisers are fiduciaries, and have a responsibility to manage fund portfolios in light of all relevant facts and circumstances, including anticipated and actual sales and redemptions and any potential dilution that shareholders might face as a result. We believe that AllianceBernstein has consistently acted to manage our Funds in line with this duty, including during stressed market conditions, in a manner sensitive to minimizing dilution of shareholder interests. We note that although our Funds have the benefit of a committed joint lending facility, AllianceBernstein did not find it necessary to cause any Fund to utilize such facility to help manage redemptions in March 2020. Likewise, they have not found it necessary to require shareholders that redeem during periods of market volatility to take redemption proceeds in kind (although this is generally permitted by the Funds' prospectuses) or to seek our approval for the imposition by a Fund of temporary redemption or purchase fees, although all these tools are available under current law.

We do not believe that a case has been made for the need for wide-ranging and extremely disruptive mandatory measures such as those proposed. We do not believe that the Commission's shareholder dilution concerns have been substantiated, and in any event shareholder dilution is not a material concern for most open-end funds. As discussed above, we are extremely concerned that the mandatory swing pricing and hard close proposals involve the risk of profoundly and adversely changing the nature of mutual funds and the benefits that they provide for investors.

The Commission Should Abandon its Proposal for Mandatory Swing Pricing and a Hard Close

In light of the foregoing, we strongly urge the Commission to formally withdraw, or publicly state that it does not intend to pursue, its proposals for mandatory swing pricing and a hard close for open-end funds. We urge the SEC to consider alternative and less disruptive tools for addressing potential dilution to shareholders of funds in extreme situations, and that a voluntary and less prescriptive approach be taken. Funds that invest primarily in liquid securities, which we believe are the vast majority of funds, including all of our Funds, should not be required to implement swing pricing, a hard close, or any other technique or tool intended to limit shareholder dilution.

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We again thank the Commission for the opportunity to provide comment on the Proposed Rule. We would be pleased to provide further information or to answer any questions at the convenience of the Commission's staff. We may be reached through Donald R. Crawshaw or Frederick Wertheim of Sullivan & Cromwell LLP, our independent counsel [redacted] or [redacted]).

Very truly yours,

Garry L. Moody

Garry L. Moody
Independent Chair of the AB Funds Board

On Behalf of the Independent Directors/Trustees of the AB Funds:

Jorge A. Bermudez
Michael J. Downey
Nancy P. Jacklin
Jeanette W. Loeb
Carol C. McMullen
Marshall C. Turner, Jr.

(Annex A attached)

cc: The Honorable Gary Gensler, Chairman
The Honorable Caroline A. Crenshaw, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Jaime Lizárraga, Commissioner
The Honorable Mark T. Uyeda, Commissioner
William A. Birdthistle, Director, Division of Investment Management

THE AB FUNDS

Closed-end Funds

AllianceBernstein Global High Income Fund, Inc.
AllianceBernstein National Municipal Income Fund, Inc.

Open-end Funds

AB Active ETFs, Inc.
- AB Tax-Aware Short Duration Municipal ETF
- AB Ultra Short Income ETF

AB Bond Fund, Inc.
- AB Total Return Bond Portfolio
- AB All Market Real Return Portfolio+
- AB Bond Inflation Strategy
- AB Limited Duration High Income Portfolio
- AB Municipal Bond Inflation Strategy
- AB Tax-Aware Fixed Income Opportunities Portfolio
- AB High Yield Portfolio
- AB Income Fund
- AB Short Duration Income Portfolio
- AB Sustainable Thematic Credit Portfolio

AB Cap Fund, Inc.
- AB Small Cap Growth Portfolio
- AB Emerging Markets Multi-Asset Portfolio
- AB Select US Equity Portfolio
- AB Select US Long/Short Portfolio
- AB Concentrated Growth Fund
- AB Global Core Equity Portfolio
- AB Sustainable US Thematic Portfolio
- AB Small Cap Value Portfolio
- AB International Strategic Core Portfolio
- AB Concentrated International Growth Portfolio
- AB All China Equity Portfolio

AB Core Opportunities Fund, Inc.

AB Corporate Shares
- AB Corporate Income Shares
- AB Municipal Income Shares
- AB Taxable Multi-Sector Income Shares
- AB Impact Municipal Income Shares
- AB Tax-Aware Real Return Income Shares

AB Discovery Growth Fund, Inc.
AB Equity Income Fund, Inc.

AB Fixed-Income Shares, Inc.
- AB Government Money Market Portfolio

AB Global Bond Fund, Inc.
AB Global Real Estate Investment Fund, Inc.
AB Global Risk Allocation Fund, Inc.+
AB High Income Fund, Inc.

AB Institutional Funds, Inc.
- AB Global Real Estate Investment Fund II

AB Large Cap Growth Fund, Inc.

AB Municipal Income Fund, Inc.
- AB California Portfolio
- AB High Income Municipal Portfolio
- AB National Portfolio
- AB New York Portfolio

AB Municipal Income Fund II
- AB Arizona Portfolio
- AB Massachusetts Portfolio
- AB Minnesota Portfolio
- AB New Jersey Portfolio
- AB Ohio Portfolio
- AB Pennsylvania Portfolio
- AB Virginia Portfolio

AB Relative Value Fund, Inc.
AB Sustainable Global Thematic Fund, Inc.
AB Sustainable International Thematic Fund, Inc.

AB Trust
- AB International Value Fund
- AB Discovery Value Fund
- AB Value Fund

AB Variable Products Series Fund, Inc.
- AB Balanced Hedged Allocation Portfolio
- AB Dynamic Asset Allocation Portfolio
- AB Sustainable Global Thematic Portfolio
- AB Growth and Income Portfolio
- AB Sustainable International Thematic Portfolio

- AB International Value Portfolio
- AB Large Cap Growth Portfolio
- AB Small Cap Growth Portfolio
- AB Small/Mid Cap Value Portfolio
- AB Global Risk Allocation – Moderate Portfolio

Sanford C. Bernstein Fund II, Inc.

- Bernstein Intermediate Duration Institutional Portfolio

The AB Portfolios

- AB Growth Fund
- AB All Market Total Return Portfolio+
- AB Wealth Appreciation Strategy
- AB Sustainable Thematic Balanced Portfolio
- AB Tax-Managed Wealth Appreciation Strategy