February 13, 2023

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Submitted Electronically: rule-comments@sec.gov

Re: Proposed Amendments to Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting

Dear Ms. Countryman,

GuideStone appreciates this opportunity to comment on amendments recently proposed by the Securities and Exchange Commission (Commission) to rules 22e-4 and 22c-1 under the Investment Company Act of 1940 (1940 Act).

Background

About GuideStone GuideStone is a nonprofit organization of the Southern Baptist Convention (SBC), the largest association of Protestant churches in the United States. GuideStone is a diversified financial services ministry providing retirement, insurance, investments, and risk management solutions to tens of thousands of churches, parachurch organizations, hospitals, universities, seminaries, mission-sending and other Christian ministries. Among other things, GuideStone sponsors, maintains, and/or administers various employee benefit plans that provide retirement and deferred compensation benefits for the employees of churches and organizations controlled by, or associated with, the SBC. GuideStone also provides investment opportunities to individuals and institutions through its affiliates. Among those affiliates are GuideStone Funds (Funds), a family of mutual funds, and GuideStone Capital Management, LLC (GSCM), the investment adviser to the Funds. GSCM and its affiliates collectively have over $18.5 billion in assets under management as of December 31, 2022. GSCM is a manager of managers, and the Funds consist of nine funds of funds, and eighteen sub-advised funds (twelve of which are multi-managed).

Our concerns with the proposed rule requirements stem from its effects on our members and ministry partners, who we believe will be disadvantaged or otherwise harmed by the proposed rule changes. The members in the plans that we serve are mainly pastors, church staff, missionaries, university and seminary professors, or similarly engaged in charitable religious

activities. These are long-term investors, most of whom do not have large 403(b) plan balances, who look to a large extent to our Funds to provide for their financial security when they reach vocational retirement. We believe our members and their families exemplify the type of people that the Commission intends to protect when it adopts its rules and regulations. Unfortunately, in our view, significant elements of these proposed rule amendments will miss that mark if adopted as proposed. Accordingly, we provide the following commentary in response to the Commission's requests in the proposing release in the hope that it will aid the Commission as it rightly pursues its goals of promoting capital formation, efficient and orderly markets, and investor protection.

Liquidity Risk Management Program

The proposed requirements for funds to (i) classify all portfolio investments on a daily basis, and (ii) use a stressed trade size and a defined market value impact standard in determining liquidity classifications present unique challenges for multi-manager funds. While the software provided by our third-party vendor estimates those parameters daily, and receives end-of-day and intraday data feeds, at month-end, we receive liquidity classifications from our sub-advisers, who may rely on different vendors or have their own proprietary systems, and the assumptions among them vary widely. We view the ability to reconcile our vendor's classifications with those of our sub-advisers as an important check on the final accuracy of liquidity classifications as of month-end for regulatory reporting purposes on Form N-PORT. Because we believe that multi-manager funds provide exposure to a diversified set of investment managers that would be otherwise unavailable to our members and ministry partners at the same investment size, and that multi-manager funds play an important role in the mutual fund marketplace, we believe the Commission should take into account the extent to which its proposed rules disparately impact multi-manager funds when adopting final rules. In this particular case, we believe the Commission should not adopt these new requirements given the already robust nature of rule 22e-4.

The proposed requirements for a fund to reduce the amount of its highly liquid investments computed for the purposes of determining compliance with its highly liquid investment minimum by the value of any highly liquid assets that are posted as margin or collateral in connection with any derivatives transaction that is classified as moderately liquid or illiquid is operationally problematic for funds, especially multi-manager funds. Operationally, all funds would prefer to avoid having to link highly and non-highly liquid derivatives collateral to specific derivatives positions, as systems do not operate this way today. For our multi-manager funds, we would be reliant upon our sub-advisers to do this mapping, as we do not otherwise need or have access to a collateral management system to track this daily. Instead, we believe that if funds can establish that the amount of collateral posted is sufficiently de minimis, and would remain so in stressed market conditions, then they should be exempt from this proposed daily requirement.

The Commission should not require funds to treat as illiquid investments the value of excess collateral the fund has posted in connection with a derivatives transaction that is classified as an illiquid investment. There are circumstances where a fund would have ready access to the value of such collateral even though the associated derivatives transaction is illiquid. There are challenges to identifying and monitoring the amount of excess collateral a fund has posted in connection with a derivatives transaction that is classified as an illiquid investment. For exchange-traded derivatives, excess collateral can generally be pulled back same-day after initial margin deficits are collected in the morning. For over-the counter (OTC) derivatives, there are circumstances where a fund would not want to pull the excess collateral back (*e.g.*, large market moves; expected variation margin deficit on T+1). For our Funds, we believe this amount would be de minimis; however, we would be unable to determine these amounts without our sub-advisers' input because we do not otherwise need or have access to a collateral management system. We do not believe that the cost to the Funds to acquire such a system to utilize solely for compliance monitoring purposes would be justifiable to reach a degree of precision in liquidity classification in Funds, like ours, that consistently invest greater than 90% of their net assets in highly liquid investments. We also do not believe that achieving an arguably higher degree of precision in liquidity measurements than exists today would have any reasonable bearing on a fund's ability to make redemption payments within seven days in compliance with section 22(e) of the 1940 Act, which is ultimately the goal in furtherance of which rule 22e-4 operates.

Swing Pricing

The Commission should not require funds to implement swing pricing. While there are commissions, fees, and tax consequences to redemption-induced sales of portfolio securities that may affect non-redeeming shareholders, if funds maintain a sufficient level of highly liquid assets when applying a reasonably anticipated trade size and a market value impact standard (especially if this is required daily, as proposed), we believe they should not be required to use full swing pricing. The use of full swing pricing increases fund price volatility, which induces tracking error in the fund's returns relative to benchmarks. This could cause an otherwise highly liquid fund to become less competitive in the marketplace. For example, if there are two growth equity mutual funds, and one fund's price is swung due to redemptions, and the other fund's price is not swung on that day, there will now be tracking error between the performance of two similar funds and their managers, which makes it more difficult for an investor to evaluate relative performance.

If the Commission adopts a swing pricing requirement, GuideStone is in favor of partial, rather than full, swing pricing. The market value impact is inherently a nonlinear function of the amount liquidated with respect to time, which is driven by the size of the fund and the amount of redemptions. The swing factor should not apply until the redemption level as a percentage of net asset value (NAV) results in a material market value impact expectation. For example, if the Commission mandates the 1% market impact threshold and a fund realizes 3% net redemptions, but that does not result in an aggregate market impact prediction beyond -1%,

then the fund's price should not be swung on that day. If, however, 5% net redemptions results in a market impact prediction of -1.2%, then the NAV would be swung down according to the prediction under partial swing pricing. Even partial swing pricing would require a vendor upgrade and increased costs to the Funds, however, because at present that system would be unable to determine daily swing factors due to a quarterly lag on our vendor's client survey trade data that impacts our market impact estimates on numerous asset classes.

We also believe that smaller funds should be permitted to use larger market value impact thresholds than those the proposed rule identifies if they can demonstrate their market impacts are de minimis. In stressed market conditions, the explicit costs of bid-offer widening still theoretically threaten to dilute investors; however, if smaller funds can demonstrate sufficiently highly liquid asset value that has been tested (especially daily) against a conservative market value standard, then they should have flexibility to make their own threshold determinations.

In addition, the rule should permit a fund to apply a market value impact factor of zero for certain investments or under certain circumstances. Many of our investments now have a market impact factor of zero in our third-party vendor system as the best bid and ask prices are of sufficient size relative to our positions (or they are inferred to be based on our vendor's quarterly client trade data surveys).

As to the discussed alternatives to swing pricing, the liquidity fee alternative seems onerous to implement with precision in a timely manner—though it does seem fairer to investors transacting in the opposite direction of the herd. As for dual pricing—the only way this seems fair is to push the entirety of the market impact cost burden to those shareholders contributing to the net flow in a given direction (if net redemptions—redeemers get hit with 100% of the burden) while passing on fixed cost sells (half-trip mid-to-bid) onto the redeeming shareholders and fixed cost buys (half-trip mid-to-ask) onto purchasing shareholders, which is overly complex.

Funds should not be required to publicly report their swing factor adjustments; however, if they are required to do so, a time lag of at least one month is warranted to avoid investors' gaming the system.

Most importantly, though, we do not believe that swing pricing would be beneficial to our members and ministry partners. Our members are typically in an accumulation phase (pre-retirement) or a decumulation phase (post-retirement). Our members are typically long-term shareholders of funds (as mentioned at the outset, this is the very universe that the Commission desires to protect by proposing the swing pricing and hard close requirements). However, our members are also regularly transacting in fund shares, in the accumulation phase, by buying more fund shares every pay period, or in the decumulation phase, by selling more fund shares for the purposes of making withdrawals to meet living expenses in retirement. The proposed rules are likely to penalize these transactions, particularly in the

decumulation phase, when retirement investors most need to protect their investments. If a fund's NAV is swung downward every day that there are net redemptions in the fund, that means the retiree is receiving less money upon their withdrawal than he or she anticipated. That hardly seems fair to a person who continues to maintain ongoing investments in the fund, and may be someone who has held that fund for over 20 years and regularly contributed to it. Of course, the same disadvantage to employees can occur on those days when net purchases exceed the 2% threshold, because those long-term shareholders would find their regular contribution on those days will acquire less shares of the funds they are purchasing than otherwise would be the case if the share price has remained unswung (upward).

Hard Close

The Commission should not require funds to implement the proposed hard close requirement.

The steps that retirement plan providers like GuideStone would be required to take to operationalize the proposed hard close requirement face operational impediments. Today, we send to the Funds' transfer agent two batches: (i) retail trades (between 4:30-5 p.m. ET); and (ii) retirement plan trades (between 10-11 p.m. ET, depending on the daily volume). Our systems do not initiate batch processing until all final NAVs are received for all Funds. These batch cycles run into the evening and overnight to process orders. It typically takes about 2 hours between when we begin to process orders and when those orders are finally submitted to the transfer agent, but can take two to three times that long on certain days. Order cut-off times for our members would need to be moved forward to at least 10 a.m. ET or even earlier. This is at least a six-hour difference for plan participants, who presently have until 4 p.m. ET to get orders to us in order to receive today's NAV. This means that our members who today routinely place orders between, *e.g.*, 10 a.m. and 4 p.m. ET, would continue to be exposed to the market performance of a Fund's portfolio securities for an additional day (*i.e.*, the market exposure after the sell order is placed would be increased from 0-6 trading hours to 6.5 – 12.5 trading hours or more). Our members understand and appreciate that mutual funds can be bought and sold daily—and rightly so. The hard close, however, would tell them that mutual funds largely cannot be bought and sold during market hours at today's end-of-day price, a result that will surely be confusing to someone who is accustomed to how mutual funds have always operated, even in retirement plans.

Today, we net plans' and participants' purchase and redemption orders in a Fund against each other, and send information to the transfer agent in an omnibus manner. This allows GuideStone to provide its value as recordkeeper to plans and our members, and to keep transfer agency costs lower than if the transfer agent began to process unbatched orders. For this reason, we would not expect to send trades to the transfer agent more frequently throughout the day, or to bunch purchase and redemption orders without netting them, even if the hard close requirement were adopted as proposed, because to do so could actually increase the costs for our members.

If, despite the known negative impacts that would occur, the Commission decides to adopt the proposed hard close requirement, then we believe that there should be exceptions from the proposed hard close requirement for funds of funds and retirement plan recordkeepers. Funds of funds and retirement plan recordkeepers should be permitted to receive same-day pricing for the orders they submit, even if not received by a designated party before the pricing time, as long as the fund of funds or retirement plan recordkeeper, respectively, received the orders before the pricing time. GuideStone, as retirement plan recordkeeper, already time stamps orders based on the time of receipt. For this reason, if the hard close requirement is adopted as proposed, we believe we should be considered a “designated party” under any adopted amendment to rule 22c-1.

We also believe that, if adopted, the Commission should provide an exception from the proposed hard close requirement for retirement plan loans or withdrawals and automated rebalancing transactions. The definition of “eligible order” should be amended to include these transaction types. Retirement plan recordkeepers should be permitted to estimate order flow information for loans and withdrawals, prepared using the prior day’s price. Allowing these exceptions would at least mitigate some of the burden on our members who rely on loans and withdrawals to be available in a timely manner and in the amount available in their account on the day they requested it, to buy homes, to pay for college, and for living expenses, depending on their circumstances.

While exceptions to the hard close will result in imperfect information being available to funds for purposes of swing pricing decisions, the costs of the hard close, particularly as applied to retirement plans, outweigh any benefits those investors will supposedly receive from swing pricing (as discussed above under Swing Pricing).

GuideStone as plan recordkeeper processes orders for both proprietary and non-proprietary funds. If different funds adopted different cut-off times for receipt of orders pursuant to rule 22c-1, our transaction processing system would not be able to accommodate those differences on a fund-specific basis. These orders are transmitted on a contemporaneous basis to another intermediary late in the evening on trade date, for forwarding on to those third party funds’ transfer agent. Different cut-off times would be confusing and challenging for investors to understand. It even impacts when they will receive their withdrawal or loan proceeds, because if an order placed at 3 p.m. ET today will not be priced until 4 p.m. ET the next business day, settlement of that trade is also delayed by a full day. An investor would not understand why he or she could receive proceeds into their account from some fund holdings on one day but have to wait longer to receive proceeds from other holdings at least an extra day, when the orders were placed all at the same time.

If the proposed hard close requirement is adopted, plan recordkeepers would not transmit orders received after their internal cut-off times and before 4 p.m. ET to the transfer agent to receive same-day pricing because it would increase the risk of errors and otherwise be burdensome. Moreover, it would be confusing for anyone who holds both an IRA or investment

account with the Funds' transfer agent, and has a retirement plan recordkept by GuideStone. The investor would have until 4 p.m. ET to place trades for today's NAV in the retail accounts, but would have to get trades into their retirement plan six (or more) hours earlier than that for same-day pricing. This is difficult to explain to investors, who are unlikely to understand swing pricing and any supposed benefits they are receiving from that, and the risk of investor frustration is high. This is because an investor placing orders with GuideStone will not be pleased to learn that its retail orders were processed today, but that its retirement orders will have to wait to be processed until tomorrow, even though all orders were transmitted at the same time.

Investors cannot place orders with a fund's transfer agent instead of an intermediary easily. Even if they own an investment account or IRA that is recordkept by the fund's transfer agent, they often place their orders through GuideStone's affiliated limited purpose broker-dealer, who ordinarily transmits those orders after the pricing time in batch processing to the transfer agent. Moreover, a retirement plan participant has no ability to place orders with the transfer agent; they can only place orders through their plan recordkeeper.

Finally, we believe that the proposed hard close requirement, if adopted, should be limited to funds that must implement swing pricing under the amendments to rule 22c-1, as proposed (*e.g.*, it should not be applicable to money market funds).

N-PORT

We believe that funds should not be required to report additional information beyond the percentages of a fund's investments in each of the three proposed liquidity categories on Form N-PORT. Narrative disclosure has not proved useful to investors, as the Commission has acknowledged by removing those requirements from shareholder reports in its adopted rule Tailored Shareholder Reports for Mutual Funds.

We also believe that position-level liquidity classifications should not be reported publicly on any form other than N-PORT. Form N-PORT is already formatted to present this data clearly. The annual and semi-annual reports would need to be completely reformatted to present this information.

Funds should not be required to adjust the percentages of their assets in the proposed liquidity categories to account for certain derivatives transactions. These adjustments would prevent timely completion of finalizing liquidity classifications for N-PORT purposes within 30 days of month-end.

If the reported sum of a fund's investments in each of the three categories does not equal 100%, the proposed rule would require the fund to adjust the percentage of assets attributed to the moderately liquid category so that the sum of the fund's investments in each category equals

100%. Instead, this adjustment should be made optional, and funds should be permitted to report aggregate percentages that do not sum to 100% if accurate.

Funds should not be required to send their most recent report on Form N-PORT to investors when they send other communications, such as their periodic reports or prospectus updates. This information is already available to the public and to the extent investors are interested in obtaining it, it is easy to do.

The Commission should not require that information regarding funds' aggregate liquidity profiles in Form N-PORT be included in other documents, such as funds' annual and semi-annual shareholder reports. The charts and information should be kept separate.

It would not be appropriate to report the number of times the fund applied a swing factor and each swing factor applied, as proposed. At most, funds should be required only to report the median, highest, and lowest (non-zero) swing factor applied for each reporting period on Form N-PORT.

Funds should not be required to provide additional information about swing pricing in Form N-PORT reports, such as the swing pricing administrator's determination to use a lower market value impact threshold or lower inflow swing threshold, if applicable. The operational issues with gathering, reviewing, and consolidating this data would presently be impossible to complete in a timely manner.

The Commission should require funds to provide return and flow information only for a single month, as proposed, and not continue to require funds to provide return and flow information for the preceding three months.

The Commission should not, as proposed, amend Form N-PORT to require funds to identify the value of margin or collateral the fund has posted as margin or collateral in connection with an illiquid derivatives transaction. Compiling the information required for this would be challenging to complete in the 30-day window following each month-end, and we do not believe it would provide value to investors.

Sincerely,

GuideStone