asset management group

February 14, 2023

Submitted electronically via SEC.gov
Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC
20549-1090

Re: **Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting—Comments on Proposal to Amend Liquidity Risk Management and Reporting Rules (File No. S7-26-22)**

Dear Ms. Countryman:

The Asset Management Group of the Securities Industry and Financial Markets Association ("SIFMA AMG")[1] appreciates the opportunity to provide comments to the United States Securities and Exchange Commission (the "Commission" or "SEC") on the Commission's proposal to make certain revisions to the liquidity risk management program requirements applicable to open-end funds and to require swing pricing by open-end funds (the "Proposal").

This letter addresses SIFMA AMG's comments on liquidity risk management programs and related disclosures and, except when the context otherwise requires, "Proposal" refers only to those aspects of the Proposal. SIFMA AMG comments on swing pricing and the hard close requirement are provided in a separate letter.[2] In addition, SIFMA[3] is submitting a separate comment letter on behalf of mutual fund intermediary members with respect to the

[1] SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined assets under management exceed $45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit http://www.sifma.org/amg. SIFMA AMG appreciates the assistance of George B. Raine, Jennifer Choi, Jimena Smith, Andrew G. Lawson and Nathan McGuire of Ropes & Gray LLP in the preparation of this response.
[2] *See* SIFMA AMG, Comment Letter on Swing Pricing (Feb. 14, 2023) ("SIFMA AMG Swing Pricing Comment Letter").
[3] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

proposed swing pricing and hard close requirements. SIFMA AMG agrees with and supports the comments set forth in the SIFMA letter.[4]

I. Executive Summary

While SIFMA AMG recognizes the Commission's interest in enhancing open-end mutual fund resilience, we have the following substantial concerns with the Proposal:

- In presuming worst-case market scenarios for each proposed element of the liquidity management framework, the Proposal would fundamentally alter and dictate the way funds are managed, to the detriment of investors. The aggregate impact of the Proposal would result in reduced returns, constraints on portfolio decision-making, and limited availability of strategies.

- Requiring daily liquidity classifications with the level of precision contemplated in the Proposal would provide little to no marginal benefit to those making investment decisions and would present a substantial challenge, particularly without the ability to classify by asset class.

- Proposed changes to Form N-PORT reporting timeframes would impose operational burdens and costs to shareholders and may mislead investors regarding the liquidity of larger funds as compared to smaller funds with similar holdings.

- We question the need for additional rulemaking so soon after adoption of the original rule, particularly with the substantial costs involved in implementation that would need to be incurred again. Fund and adviser management of liquidity risk has a strong track record even under stress conditions, including the rare and unprecedented events of March 2020. Given the success of liquidity risk management programs during such an extreme event, March 2020 should not be the basis, on its own, for a proposed overhaul of Rule 22e-4 under the Investment Company Act of 1940, as amended (the "1940 Act" and the rule, the "Liquidity Rule").

II. Additional Rulemaking for Fund Liquidity Risk Management So Soon After the Adoption of the Liquidity Rule Would Impose Substantial Costs on Funds and Investors

A. Background on the Liquidity Rule

On October 13, 2016, the Commission adopted the Liquidity Rule.[5] The Liquidity Rule requires open-end funds (including exchange-traded funds but not money market funds) to establish written liquidity risk management programs reasonably designed to assess and manage a fund's

[4] *See* SIFMA, Comment Letter on Swing Pricing and Hard Close (Feb. 14, 2023).
[5] Investment Company Liquidity Risk Management Programs, Securities Act Release No. 10,233, Investment Act Release No. 32,315, 81 Fed. Reg. 82,142 (Nov. 18, 2016) (the "2016 Adopting Release").

liquidity risk.[6] Many funds maintained and continued to maintain liquidity risk management programs of their own design before and after the Liquidity Rule was adopted.

On February 22, 2018, the Commission adopted an interim final rule that extended the compliance date for some of the requirements of the Liquidity Rule.[7] Most notably, the interim final rule provided a six-month extension (to June 2019 for larger complexes and December 2019 for smaller complexes) for compliance with the following requirements: (i) classification of a fund's portfolio investments into one of four liquidity categories, and (ii) determination of a fund's HLIM. The Commission stated that its decision to defer the compliance date was based upon its findings that (i) the absence of available market data for certain asset classes would require funds to rely heavily on service providers for tools and systems for liquidity classification and reporting, but these tools and systems were unlikely to be fully developed and tested by the original December 1, 2018 compliance date, (ii) implementation of service provider and fund systems required additional time for funds to refine and test systems, classification models and liquidity data, and (iii) funds faced compliance challenges due to open interpretive questions regarding the implementation of the Liquidity Rule.[8]

On June 28, 2018, the Commission adopted amendments to the Liquidity Rule.[9] Specifically, the amendments (i) rescinded the requirement, in Form N-PORT, that a fund publicly disclose, on an aggregate basis, the percentage of its investments in each of the four liquidity classification categories and replaced the item with narrative disclosure of a fund's Program in Form N-1A, (ii) permitted a fund, in certain circumstances, to report on Form N-PORT multiple classification categories for a single position, and (iii) provided for reporting of funds' cash and cash equivalents on Form N-PORT.

The Proposal would add to this list of changes to liquidity risk management by further amending the Liquidity Rule—a rule that has only been in operation for a little over three years—to a significant extent. The Proposal's far-reaching changes would require funds to maintain a prescriptive 10% of highly liquid holdings and deem more assets to be illiquid. Among other things, the Proposal would require funds to assume a "stressed trade size" when making liquidity classification, eliminate the less liquid investment category, mandate what is a significant change in market value, change the framework for counting classification days, and introduce the U.S. GAAP concept of Level 3 assets into a liquidity regime.

---

[6] A fund's liquidity risk management program ("Program") must include written policies and procedures reasonably designed to incorporate the following elements: (i) assessing, managing and periodically reviewing a fund's liquidity risk; (ii) classifying the liquidity of a fund's investments into one of four liquidity categories at least monthly; (iii) for funds that do not primarily hold assets that are highly liquid investments, determining a highly liquid investment minimum ("HLIM") and responding to shortfalls if the fund's level of highly liquid investments fall below that minimum; (iv) limiting a fund's investments in illiquid investments that are assets to no more than 15% of the fund's net assets; and (v) adopting policies and procedures for in-kind redemptions, if the fund engages in, or reserves the right to engage in, in-kind redemptions.

[7] Investment Company Liquidity Risk Management Programs; Commission Guidance for In-Kind ETFs, Investment Company Act Release No. 33,010, 83 Fed. Reg. 8342 (Feb. 27, 2018).

[8] *See id.* at 8344.

[9] Investment Company Liquidity Disclosure, Investment Act Release No. 33,142, 83 Fed. Reg. 31,859 (Jul. 10, 2018).

The Proposal also includes amendments to Form N-PORT. The Proposal would require reports on Form N-PORT to be filed within 30 days of month-end, and such reports would be made public 60 days after month-end. This is not the first time that the Commission has explored, and disposed of, a monthly Form N-PORT requirement. The Liquidity Rule, as originally proposed in September 2015, also would have required reports on Form N-PORT to be filed within 30 days of month-end.[10] On February 27, 2019, however, prior to the compliance date, the Commission adopted amendments to require Form N-PORT filings no later than 60 days after the end of a fund's fiscal quarter.[11]

The Proposal also would require an open-end fund that is subject to classification requirements under the Liquidity Rule to provide information regarding the aggregate percentage of its portfolio represented in each of the three proposed liquidity classification categories, which would be publicly available, with such percentages adjusted to give effect to other aspects of the Proposal. The Commission acknowledges that this public disclosure framework is similar to that previously adopted by the Commission in 2016 and then, as noted above, replaced by the Commission in lieu of narrative liquidity disclosure in shareholder reports in 2018.[12]

B. Additional Rulemaking Would Impose Substantial Costs on Funds and Investors

We fully recognize the benefits of open-end funds remaining resilient in periods of market stress and prudently managing their liquidity risk. We also recognize that, without effective liquidity risk management, a fund may not be able to make timely payment on shareholder redemptions and significant sales of portfolio investments to satisfy redemptions may result in adverse impacts to remaining shareholders. Open-end funds have a lengthy track record, stretching for decades, of effectively managing liquidity through all manner of market stresses. The exceedingly rare case of individual funds being unable to make timely redemption payments is a testament to the diligence, care, and prudence already employed by funds for the benefit of their investors.[13] The Proposal largely appears to be based on the March 2020 market experience, but we believe that funds' ability to navigate market stresses both in March 2020 and through other prior periods of market stress reflects fund resiliency rather than a systemic, inherent deficiency across all open-end funds requiring rulemaking to remedy.[14]

---

[10] *See* Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of Comment Period for Investment Company Reporting Modernization Release, 80 Fed. Reg. 62,274, 62,345 n.561 (Oct. 15, 2015).

[11] *See* Amendments to the Timing Requirements for Filing Reports on Form N–PORT, Investment Company Act Release No. 33,384, 84 Fed. Reg. 7980 (Mar. 6, 2019); *see also* Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting, Securities Act Release No. 11,130, Investment Company Act Release No. 34,746, 87 Fed. Reg. 77,172, 77,227 (proposed Dec. 16, 2022) (to be codified at 17 C.F.R. pts. 270, 274) (the "Proposing Release"). The Commission notes in the Proposing Release that its move to a quarterly filing system was intended to reduce the sensitivity of non-public data in light of a cybersecurity incident that resulted in unauthorized access to certain non-public information on the EDGAR system. *See id.*

[12] *See id.* at 77,229.

[13] For instance, even though open-end funds experienced significant outflows during March 2020, the Commission does not suggest that any open-end fund was unable to successfully meet redemption requests. *See id.* at 77,178-83.

[14] The Commission notes that although it provided emergency relief giving funds flexibility for interfund lending and other short-term funding to meet redemptions, funds generally did not use it. *See id.* at 77,182 n.57. The experience of March 2020 suggests that fund managers proactively were exploring all potential options to meet redemption requests, but generally were able to manage their liquidity and meet redemptions without resorting to emergency measures.

As we stated in our 2016 comment letter on the Liquidity Rule, we continue to support what we view as the cornerstone of the Liquidity Rule: the requirement that all open-end funds adopt formal liquidity risk management programs that are reasonably designed to assess and manage the fund's liquidity risk.[15] We continue to believe, however, that effective liquidity risk management programs operate best as flexible, principles-based frameworks that recognize the diversity of thousands of funds, their specific investments, and their shareholder bases.

We are not convinced that additional rulemaking measures are necessary. Managers spent over two years implementing the Liquidity Rule starting in 2016. They deployed considerable resources across various internal departments including portfolio management, risk, legal, sales, operations, fund boards, compliance and others and incurred significant costs to establish detailed liquidity risk management programs that met the requirements of the Liquidity Rule. The Proposal would not merely require modest adjustments but rather require rebuilding systems and data architecture. The substantial resources that funds already have spent on technology build-outs to implement the Liquidity Rule would need to be incurred again, and possibly to a greater extent given the breadth of the Proposal. Advisers and sub-advisers may absorb some of the cost, but direct costs for vendor services would be borne by shareholders as fund expenses. The Proposal appears to estimate external services at $1,000 per fund.[16] Although it is difficult to determine a precise cost, our members believe that the Proposal significantly underestimates the cost of external services, such as vendors providing classification methodologies and data.

If the Commission decides to proceed, we continue to believe that a principles-based approach would better serve the Commission's goals and, in turn, the investing public. Accordingly, we recommend that the Commission retain the current liquidity risk management framework under the Liquidity Rule, or otherwise adopt amendments to that framework that recognize the vital role that flexibility and judgment play. That dynamic ability to adjust and adapt to changing facts and circumstances relevant to specific investments, funds, and shareholder bases enables funds to respond quickly to changing market conditions and effectively manage liquidity risk in a way that is tailored to a fund's specific circumstances.

Finally, SIFMA AMG notes that the Commission has included a 60-day comment period for the Proposal.[17] Although this time period is consistent with federal guidance on rulemaking procedure the complexity of this potentially transformative rulemaking and the Commission's already crowded regulatory agenda call for a longer comment period to allow commenters adequate time to provide thoughtful commentary on the Proposal and its interactions with other proposed changes to the federal securities laws.[18] We also suggest that proposals of such breadth

---

[15] *See* SIFMA AMG, Comment Letter on Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of Comment Period for Investment Company Reporting Modernization Release—Comments on Proposal to Require Liquidity Risk Management Programs and Related Liquidity Disclosures, File No. S7-16-15 (Jan. 13, 2016), https://www.sifma.org/wp-content/uploads/2017/05/sifma-amg-submits-comments-to-the-sec-regarding-proposed-requirements-for-liquidity-risk-management-programs.pdf ("2016 SIFMA AMG Comment Letter").
[16] *See* Proposing Release at 77,276.
[17] *Id*. at 77,172.
[18] *See* SIFMA AMG et al., Letter on Proposed Rules, File Nos. S7–26–22, RIN 3325-AM98, RIN 3235-AN18 (Nov. 16, 2022), https://www.sifma.org/wp-content/uploads/2022/11/Open-End-Fund-Liquidity-Risk-Management-

and potential import be evaluated on an industry-wide basis. The implications, impacted parties, and potential costs and benefits warrant a more comprehensive analysis and assessment than a single notice and comment period for investment company rulemaking allows. We appreciate that the Commission has requested comment on a wide range of questions but, such a short time to respond precludes any comprehensive academic studies or other thorough analyses.

III. The Aggregate Impact of the Proposed Prescriptive Rules Will Harm Investors

All the various elements of the Proposal, when taken together, threatens to make a significant impact that extends well beyond merely enhancing open-end fund resilience. While there may be ways that funds can further improve their liquidity risk management, it is important to weigh the trade offs inherent in regulatory mandates to avoid adversely impacting the investors such measures are purportedly designed to protect. The Proposal neglects to account for the overall diversity among open-end funds, applying one-size-fits-all requirements where flexibility is necessary to respond to fund-specific circumstances in changing liquidity conditions. Moreover, in aiming to strengthen the resilience of open-end funds during times of stress, the Commission has proposed a regime that would require open-end funds to be managed as if they were continually operating under extremely stressed conditions. We believe that continual operation under these parameters would result in negative consequences and added costs for fund investors. In addition, to the extent that underlying investors would receive any benefits from the Proposal, such benefits are likely to be greatly outweighed by the drawbacks of the Proposal, including changes to portfolio construction and portfolio design. Investors, particularly retail investors, would be adversely impacted by reduced investment returns and limits on the strategies available to investors.

In the aggregate, the individual changes (which we discuss in further detail below in Section IV.F.) would combine to significantly constrain the discretion of portfolio managers to make investment decisions that are in the best interests of the investors they seek to serve. The resilience the Commission seeks would come at a cost. While the Commission might find that each proposed change has merit on its own, the changes will operate together if the Proposal is adopted. Our members believe that it is critical to consider the Proposed changes in the aggregate rather than individually. However, the Proposal fails to fully consider the overall impact of the multitude of proposed changes to liquidity risk management programs. In fact, the Commission explicitly acknowledges that its own economic analysis does not assess the aggregate impact of the Proposal on funds and shareholders because the Commission believed it was "not able to

---

Programs-and-Swing-Pricing-Form-N-PORT-Outsourcing-by-Investment-Advisers-Joint-Trades.pdf; SIFMA & SIFMA AMG, Joint Comment Letter on the Importance of Appropriate Length of Comment Periods (Apr. 5, 2022), https://www.sifma.org/wp-content/uploads/2022/02/SEC_Joint-Trades_Comment-Period-Letter_4-5-2022.pdf. *See also* Investment Company Names, Securities Act Release No. 11,067, Exchange Act Release No. 94,981, Investment Company Act Release No. 34,593, 87 Fed. Reg. 36,594 (proposed Jun. 17, 2022) (to be codified at 17 C.F.R. pts. 230, 232, 239, 270, 274); Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices, Securities Act Release No. 11,068, Exchange Act Release No. 94,985, Investment Advisers Act Release No. 6034, Investment Company Act Release No. 34,594, 87 Fed. Reg. 36,654 (proposed June 17, 2022) (to be codified at 17 C.F.R. pts. 200, 230, 239, 249, 279); The Enhancement and Standardization of Climate-Related Disclosures for Investors, Securities Act Release No. 11,042, Exchange Act Release No. 94,478, 87 Fed. Reg. 21,334 (proposed Apr. 11, 2022) (to be codified at 17 C.F.R. pts. 210, 229, 232, 239, 249).

quantify" the perceived costs of compliance to funds and ultimately the cost to investors.[19] SIFMA AMG believes the lack of an assessment of the aggregate impact (as well as the interplay) of the various components of the proposed changes is a fundamental flaw of the Proposal. We urge the Commission to fully analyze those costs and implications before deciding whether to proceed with the Proposal in some form.

IV. Prescriptive Elements of the Proposal Require Re-Consideration

As discussed more fully below, SIFMA AMG believes that the individual elements of the Proposal warrant concern and can be modified in ways that still address the Commission's policy objectives.

- A one-size-fits-all stressed trade size ("STS") of 10% would result in funds that have successful track records of managing their liquidity risk having to rebalance their portfolios, potentially reducing shareholder returns. We recommend that the Commission retain the current liquidity classification framework, or if it is committed to a change in this area, adopt a principles-based approach, as further discussed below.
- The proposed minimum value impact standard of 20% for listed shares and 1% for unlisted shares and inflexible 20-day lookback period are unworkable and would constrain managers from appropriately responding to changing market conditions. We recommend that the Commission retain the current fund-specific value impact standard.
- The Commission should continue to permit classification by asset class, which provides funds necessary flexibility to efficiently classify certain investments.
- The elimination of the less liquid investment category would fundamentally change the composition of funds, particularly bank loan funds and funds with allocations to bank loan investments, high yield and emerging market debt, small-cap equities, and foreign securities, among others, as well as potentially eliminate open-end bank loan funds, a popular investment option for retail investors. We recommend that the Commission retain the four liquidity classification categories.
- The addition of the U.S. GAAP concept of Level 3 assets to the definition of illiquid investment would inappropriately merge the concepts of valuation and liquidity, result in the classification of securities that can be sold and converted to U.S. dollars expediently as illiquid, and potentially mislead investors about what is, in fact, an "illiquid" investment, as opposed to an investment with a longer settlement period.

[19] *Id.* at 77,250. The Proposal's cost-benefit analysis is inadequate and arbitrary and capricious in violation of the Administrative Procedure Act ("APA"). *Chamber of Commerce v. SEC*, 412 F.3d 133, 144 (D.C. Cir. 2005) (holding that the statutory language of the APA imposes an obligation on the SEC to weigh the cost and benefits of proposed regulation, and to quantify those costs and benefits where possible); *Business Roundtable v. SEC*, 647 F.3d 1144 (D.C. Cir. 2011) (holding that an SEC rule violated the APA because the SEC "inconsistently and opportunistically framed the costs and benefits of the rule" and "failed adequately to quantify certain costs [of its proposed rule] or to explain why those costs could not be quantified").

- Requiring funds to count the day of classification when determining the period in which an investment is reasonably expected to be convertible to U.S. dollars would further diminish the liquidity classification of assets, leading some funds to overestimate illiquidity. We recommend that the Commission not include the day of classification in the day count, consistent with industry practice.
- Requiring all funds to classify their portfolio investments daily would result in operational costs that outweigh any potential benefits. We recommend that the Commission continue to allow funds the option to classify daily on a fund-specific basis.
- Imposing a 10% HLIM on all funds and at all times would result in funds having to sacrifice returns for a level of liquidity that may not be necessary. We do not believe that funds should be required to be managed to a highly unlikely doomsday scenario. We recommend that the Commission continue to permit funds to set their own HLIM based on consideration of various liquidity factors.

A. A Uniform Stressed Trade Size Would Force Funds with Histories of Effective Liquidity Risk Management to Rebalance Their Portfolios Based on Worst-Case Assumptions

The Proposal would amend the Liquidity Rule to require funds to assume the sale of an STS in determining the liquidity classification of each investment.[20] Specifically, the Proposal would require a fund to measure the number of days in which the investment is reasonably expected to be convertible to U.S. dollars without significantly changing the market value of the investment, while assuming the sale of 10% of the fund's net assets by reducing each investment by 10%. Currently, the Liquidity Rule does not specify an STS. Instead, funds have the flexibility to consider their specific circumstances, including flow history, flow trends for similarly situated funds, shareholder make-up and concentration, and other factors, in determining a reasonably anticipated trade size (the "RATS") to determine whether trading varying portions of a position in a particular portfolio investment or asset class is reasonably expected to significantly affect the fund's liquidity.[21]

In effect, the Commission proposes to replace the fund-specific approach of the RATS with a uniform STS to ensure consistency across fund classifications. We believe this approach is misplaced for two primary reasons. First, the proposed STS requirement would force funds to classify investments not under current market conditions or even foreseeable market conditions but under circumstances that the Commission has acknowledged are even beyond extremely stressed market conditions.[22] The Proposal, therefore, would mandate funds to hold more liquid assets irrespective of market conditions, which will impact shareholders in the form of reduced returns and higher costs. Second, although the 10% STS appears to be an "objective" standard, it will have disparate effects on larger funds, funds with investment strategies that track the component securities of an index, municipal bond funds and funds that invest in securities without high daily trading volumes. For example, holdings of the same instrument in a larger

[20] *See* Proposing Release at 77,187.
[21] *See* 17 C.F.R. 270.22e-4(b)(ii)(B).
[22] *See* Proposing Release at 77,187.

fund, as compared to a smaller fund, may be classified as less liquid because a larger amount of such holdings would have to be assumed to be sold. In practice, the effect would be to undermine the Commission's interest in consistency. The Proposal also would disproportionately impact index funds because such funds would not have much discretion with respect to the portions of their portfolios that must be invested in the component securities of an index. We discuss these two points in more depth below.[23]

We disagree with the Commission's proposal to mandate a 10% STS for liquidity risk management purposes. The Proposal provides no findings that funds were unwise or imprudent in setting their RATS. If the Commission is concerned that funds are not adequately considering or anticipating changing market conditions, the Commission should provide that data and could instead address this concern by encouraging more robust determinations of the RATS in stressed market conditions or during highly unanticipated market conditions.

A liquidity risk management framework built on the assumption that funds are under constant and extreme market stress is unwarranted and would come at a cost to funds and shareholders through reduced returns. The Proposal itself acknowledges that the Commission's data showed that outflows greater than 6.6% occurred only 1% of the time across weeks and funds.[24] This is consistent with the calculations performed by our members. Thus, the Commission's presumed worst-case scenario is in fact exceedingly worse than what its own data shows as "worst case." For larger funds with a diverse investor base, our members have found that they rarely experience outflows exceeding 2% on any given day; in fact, a 10% STS is close to five times what our members experience daily at the high end.[25] We believe the Commission's prescriptive approach would result in performance drag and shareholders may depart from open-end funds to less-regulated vehicles (or vehicles not subject to such prescriptive requirements) in search of higher returns. Moreover, the Commission acknowledges that this type of liquidity management will ultimately harm shareholders by way of reducing potential investment returns.[26] We believe this materially understates the costs to shareholders. Reducing returns at all times in hopes of helping to mitigate the remote risk of being unable to meet redemptions in a time of extreme market stress, notwithstanding that open-end funds have been able to manage liquidity even through periods of market stress, is a significant trade-off. Even small returns can compound over time so retirement plan investors who save over a lifetime of labor will find a smaller nest egg upon retirement. Accordingly, we believe the Proposal does not adequately balance the costs against the benefits of such an approach.[27]

Moreover, a uniform STS will likely mislead investors regarding the liquidity of larger funds as compared to smaller funds with similar holdings. Larger funds tend to have diverse, long-term investors and each investor's share represents a much smaller percentage of the total fund. Our members note that large funds are less likely than smaller funds to experience a higher level of

---

[23] The Commission acknowledges that the Proposal has its roots in the singular, market-wide events of March 2020, but fails to provide data or examples that support the need for the sweeping overhaul proposed by the Commission. *See* Proposing Release at 77,190.
[24] *Id*. at 77,187.
[25] Other members note that the proposed STS of 10% would be over ten times larger than what some funds experienced during March 2020.
[26] *See* Proposing Release at 77,187.
[27] *Id.* at 77,251.

redemptions relative to a fund's size. Despite the fact that larger funds would be more unlikely to face a 10% redemption in a single day, the uniform STS based on the 10% pro-rated redemption assumption would cause more holdings of larger funds to be classified as illiquid.

On its own, the Proposal to move to a 10% STS would result in many funds, including funds with longstanding track records of successful liquidity risk management under normal and stressed market conditions, needing to rebalance their portfolios to comply with the 15% limit on illiquid investments.[28]

We believe the Commission should retain the current classification framework using a fund's RATS and not a mandated 10% STS to determine the liquidity classification of a fund's portfolio investments. As opposed to mandating a one-size-fits-all approach, the Commission could issue additional guidance on the factors funds should consider in determining their RATS during stressed or extremely stressed market conditions, including redemptions, weekly outflows, fund size, and, depending on a fund's particular circumstances, investor concentration. Such guidance would achieve the Commission's goal of ensuring that funds have liquidity risk management programs that can adapt to changing market conditions while preserving the flexibility of funds to set a RATS based on a fund's unique circumstances. Alternatively, if the Commission determines that a 10% STS must be considered in some form, the Commission could require funds to incorporate stressed scenarios into their liquidity risk management programs by requiring periodic stress tests, but where such results would not be the driver of liquidity classification determinations. We are not endorsing this approach as a regulatory mandate but note it as an alternative. We continue to believe that funds are best positioned to conduct their own liquidity risk assessments with parameters they determine are relevant and applicable. If the Commission nevertheless determines to move forward with a mandated STS, we suggest that the Commission adopt an STS that is much lower than the proposed 10% STS. Based on market experience—and the Commission's own data—the highest reasonable STS would be 3%. We note that a 3% STS still would be considered a conservative "floor" by our members, with data indicating that actual outflows have been smaller than 3%.

B. Amending the Minimum Value Impact Standard Would Have Unintended Consequences

The Proposal would amend the Liquidity Rule to establish a minimum value impact standard that defines more specifically what constitutes a significant change in market value.[29] The proposed definition of a significant change in market value would require a fund to consider the size of the sale relative to the depth of the market for the instrument, which would vary depending on the

[28] The proposed 10% STS, especially when combined with other elements of the Proposal, would disproportionately impact funds that hold investments with limited daily trading volumes, making such funds overall less liquid. *See infra* Section IV.F. (discussing aggregate impact of Proposal). The proposed 10% STS also could result in strange scenarios for some equity funds, even those that are currently primarily highly liquid or otherwise at zero illiquidity. For instance, large funds with a diverse shareholder base would become significantly more illiquid, potentially breaching the 15% limit on illiquid investments, while smaller funds with more shareholder concentration, which generally have more liquidity risk because they are more sensitive to a large proportional shareholder redemption, would see little change in their liquidity classifications. We believe this is one example of an unintended consequence resulting from the many proposed changes to the liquidity risk management framework without consideration of how each change impacts the broader liquidity risk management system. *See infra* Section IV.F.
[29] *See* Proposing Release at 77,188.

type of investment. Specifically, (i) for shares listed on a national securities exchange or a foreign exchange, selling or disposing of more than 20% of the security's average daily trading volume[30] would indicate a level of market participation that is significant, and (ii) for any investments other than shares listed on a national securities exchange or a foreign exchange, such as fixed-income securities and derivatives, any sale or disposition that a fund reasonably expects would result in a decrease in sale price of more than 1% would indicate a level of market participation that is significant. Currently, the Liquidity Rule permits funds to determine what constitutes a significant change in the market value of an investment, taking into account a variety of factors including the type of investment or the type of vendor, model or system used to classify investments.

For listed shares, the proposed value impact standard would prevent fund managers from adjusting funds' average daily trading volume based on market experience, such as in times of market stress when trading volumes typically increase. Although we recognize the Commission's attempt at standardization, some members' market experience suggests that results will continue to vary due to several factors, including the vendor, model used for price volatility, selection of probability and point estimates, and variance in the number of shares traded. Moreover, an inflexible 20-day lookback period that includes holidays likely would result in an inaccurate picture of market depth for securities that trade in batches, such as emerging market securities. For example, the rigid 20-day lookback period could cause large drop offs in trading volume when assessing post-holiday periods such as early January and distort predicted liquidity.[31] We believe that a flexible approach is beneficial to funds and investors alike and recommend that the Commission retain the current value impact standard under the Liquidity Rule.

For investments other than listed shares, we understand that the Commission may be attempting to reduce subjectivity in liquidity classifications, but the proposed market impact standard, where a decrease in sale price of more than 1% would indicate a level of market participation that is significant, raises significant other issues, and offers a false sense of ability to predict future prices with precision.[32] First, we are concerned that the vendors relied upon by funds today likely will be unable to provide information this precise, making implementation of this requirement untenable. Second, it is unclear what assumptions can be used in making the relevant determinations, such as whether funds could use liquidation cost data derived from bid-ask spreads or predictability models that cluster data for similar instruments, or be able to incorporate smoothing data like exchange-traded instruments that look to the preceding 20 business days. If the Commission also moves forward with the Proposal to require daily, instead of monthly, classifications (as discussed in further detail below in Section IV.D.4.), a large percentage of fixed-income securities would not be able to quantify their market impact on a daily basis because such securities do not trade daily in the same way that equity securities trade. Put differently, for fixed-income securities, it would be difficult to accurately assess market impact for classification purposes on a daily basis. Third, for fixed-income products specifically,

---

[30] To determine average daily trading volume, the Proposal would require funds to measure the average daily trading volume over the preceding 20 business days. *See id.* at 77,188.

[31] A 20-day lookback period also would have the counterintuitive result of making recent bouts of market stress, when trading volumes increase, appear more liquid.

[32] The Proposal provides little support for the proposed 1% value impact standard, claiming only that "several commonly employed liquidity models currently use this price decrease measure." Proposing Release at 77,188. This is inconsistent with our members' experience.

the proposed market impact standard may result in many high-yield bonds, municipal bonds, long duration bonds, floating rate instruments, and emerging market fixed income securities being classified as illiquid, even though a manager's experience would suggest that there is a ready market for such securities.

Price moves in steady markets commonly exceed 1%, so our members do not believe that 1% is an appropriate threshold for a "significant" market impact.[33] As a result, funds that invest in these asset classes likely may be out of compliance with the 15% limit on illiquid investments during times of normal market conditions. Under the Proposal, the forced sale of these securities, which would be reclassified as illiquid investments, could potentially artificially increase volatility, manufacture price drops, and, in stressed markets, create procyclical behavior.[34] We note that many of our members use a range of 1% to 5% liquidation cost as a threshold for what may constitute a significant change in market value for fixed-income securities. A value impact standard set at 1% for fixed-income securities implies that funds must employ buy-sell strategies even if market conditions do not warrant such actions and where a 1% minimum is inconsistent with a portfolio manager's experience in the market.[35] Finally, the standard for fixed-income products would impact other funds that allocate to asset-backed securities, commercial mortgage-backed securities, credit risk transfer securities, and high yield municipal bonds by forcing these funds to increasingly rely on third-party vendors to obtain data on and classify instruments, likely resulting in higher costs for funds and investors. [36]

Accordingly, with respect to instruments other than shares listed on a national securities exchange or a foreign exchange, we recommend that the Commission retain the Liquidity Rule's current value impact standard. If the Commission remains committed to some type of change, the Commission should further explore a more appropriate minimum value impact standard and the benefits and drawbacks of mandating such a minimum. Alternatively, the Commission could explore other ways to determine the value impact standard. For instance, the Commission could measure the relative liquidity of fixed income funds against the bid-ask spread of a relevant index.

---

[33] Member data shows that it is not uncommon in both stressed and normal markets for a significant portion of a fixed income index to have a bid-ask spread over 1%. For example, in the two-year period between November 23, 2020 and November 23, 2022, the share of the JP Morgan Corporate Emerging Markets Bond Index with half bid-ask spread over 1% ranged from 1% to 19%. During March and April 2020, an average of 29% of the index had half bid-ask spread over 1%. And since 2011, an average of 6% of the index has had half bid-ask spread over 1%. (Data is as of November 23, 2022.)

[34] The Proposal actually could create *more* volatility during stressed market conditions by, for example, preventing a manager from purchasing certain assets if such purchases would push the fund out of compliance with the 15% limit on illiquid investments.

[35] Certain of our members have informed us that a uniform market impact standard has the tendency to make assets that are expected to trade at higher spreads seem less liquid than they are in reality. In volatile markets, distressed buyers, liquidity providers and other market participants will enter the market to provide cash liquidity to sellers, but market clearing prices could be more than 1% away from the current prices. It takes longer to liquidate at 1% than at 2% while the market expectation is for the impact to be 2%. Currently, funds generally classify these investments as less liquid. Under the Proposal, these would be classified as illiquid, while the market would continue to function as expected with market costs of 1% or more.

[36] For some securities that do not trade on exchanges, the data that would be required to classify the instrument under the Proposal simply does not exist. For these securities, the data would need to be based on models rather than actual market experience, resulting in the illusion of precision.

C. Elimination of Classification by Asset Class Removes Necessary Flexibility in Exchange for No Additional Benefits

The Proposal would amend the Liquidity Rule to remove classification by asset class to provide "more precise liquidity classifications that appropriately reflect investments' liquidity characteristics."[37] Currently, a fund may classify and review its portfolio investments according to their asset class, unless the fund or its adviser have information about any market, trading, or investment-specific considerations that are reasonably expected to significantly affect the liquidity characteristics of an investment as compared to the fund's other portfolio holdings within that asset class.

In the 2016 Adopting Release, the Commission acknowledged that commenters had objected to the then-proposed position-level classification requirement, the same requirement that the Commission is now re-proposing.[38] In response to those objections, the Liquidity Rule allows for classification based on asset class. We believe that considering portfolio liquidity on the basis of asset class, at least as a starting point, can have practical, operational, and conceptual benefits compared to considering the liquidity of each portfolio position individually, particularly for those securities that do not trade frequently. The reason for this is that assets within a particular class have highly comparable and substitutable liquidity characteristics, such that classifying investments based on asset class generally permits fund managers to account for differences in market structure and portfolio management objectives among asset classes. We also believe that evaluating and classifying each portfolio asset individually would be overly burdensome to manage as certain complexes may collectively hold hundreds of thousands of individual portfolio assets, notwithstanding the use of vendor classification models. Further, the data required to classify each portfolio investment individually may not be readily available for all asset types, particularly fixed-income securities and other over-the-counter instruments that may not trade daily if they are tradeable.[39] These concerns would be compounded if we consider that the Commission is separately proposing daily, instead of monthly, classification.

While we understand the concern around using overly broad asset classes, it is critical that the Commission preserve the option for funds to use asset classes for liquidity determinations. The Commission suggests that asset class level classifications are not widely used by many funds, but our outreach suggests that many of our members do utilize asset based classification as an efficient way to classify certain securities, including ETFs, certain currency forwards, commercial paper and money market instruments, which often are not covered by vendor classification models, or wish to preserve the flexibility to utilize asset based classification in the future. Members report that even sophisticated vendors that have invested heavily in their systems have found it necessary to utilize asset class level classification to some degree when other options are unavailable. If asset level classifications are prohibited, vendors may be forced to abstain from providing classifications for specific holdings depending on market conditions for those holdings at that time. By analogy, we note that vendors providing daily pricing marks

---

[37] Proposing Release at 77,190.

[38] *See* 2016 Adopting Release at 82,144.

[39] Members report that third-party vendors generally will use a "cluster" approach to classify assets with little to no market data, with such classifications receiving additional review for accuracy. Many municipal bonds are addressed in this manner. In addition, new issues may not have sufficient trading experience for that specific issue but there is data available for similar instruments for that issuer or other similar issuers.

for fund holdings often make use of matrix or proxy instruments in their process. We recognize the risks of blindly over generalizing but also request that the Commission recognize the challenges of requiring fresh liquidity assessments without the benefit of valuable data from similar instruments.

Moreover, certain assets, such as treasury bills, have such little variance in liquidity among individual securities that the cost of analyzing each and every security that the fund holds within the asset class would outweigh any benefit. The Commission states that "during a stress event like March 2020, a fund using asset class level classifications *may not be* equipped to re-classify a subset of investments in an asset class adeptly in response to changing conditions that affect those investments directly," but offers no data or examples to support this position.[40] The Liquidity Rule already requires that funds revisit asset class level classifications if market conditions or other factors indicate that a shift to a more granular or frequent classification is appropriate. Requiring funds to classify every asset they hold, or might hold, would not be possible if the fund was required to use only the data for a specific security because even established vendors generally look at similar securities to classify many types of different securities. Classification of every asset or potential asset also would result in significant implementation costs and few benefits for those managers that have built asset based classification into their liquidity risk management programs. If the Commission nevertheless determines to move forward with changes to asset class level classification, as an alternative, the Commission could focus on when funds must revisit portfolio classifications, such as in response to meaningful market events.

D. Amendments to Liquidity Classification Categories

1. Elimination of Less Liquid Investment Category Would Fundamentally Change Funds' Composition and Potentially Require Liquidation of Certain Types of Existing Open-End Funds

The Proposal would eliminate the less liquid investment category.[41] Currently, the Liquidity Rule requires funds to classify their investments into four categories: highly liquid, moderately liquid, less liquid, and illiquid. A fund may classify as less liquid those investments reasonably expected to be sold or disposed of in seven calendar days or less without significantly changing the market value of the investment, but where the sale or disposition is reasonably expected to settle in more than seven calendar days.[42] With this proposed amendment, funds would be required to limit investments in assets currently classified as less liquid plus those assets classified as illiquid to 15% of a fund's portfolio.

The elimination of the less liquid investment category would have a significant impact on bank loan funds and funds with allocations to bank loan investments or other investments classified as less liquid investments. First and foremost, the Proposal would result in the liquidation of various bank loan funds, meaning the elimination of an entire asset class offering for certain investors or,

---

[40] Proposing Release at 77,189 (emphasis added). In fact, members report that asset class classification was helpful during the beginning of the Russia-Ukraine crisis, allowing managers to re-classify certain equities and bonds quickly based on asset type and issue country.
[41] *Id.* at 77,185.
[42] 17 C.F.R. 270.22e–4(b)(1)(ii).

at minimum, the sale of a significant amount of bank loan investments, potentially roiling markets and inducing an SEC-triggered liquidity event in the wind down process. Second, some funds with allocations to bank loan investments as well as funds with allocations to other investments currently classified, either provisionally or at month-end, as less liquid investments, including high yield and emerging market debt, small-cap equities, foreign securities and certain investments where settlement information is typically available after the time of investment, would have to reposition their strategies or portfolios in order to avoid an exceedance of the 15% limit on illiquid investments. More broadly, the Proposal conflates illiquidity, and the market's historical understanding of investments that are in fact illiquid, with protracted settlement, thereby redefining the industry's understanding of "illiquid," creating a misleading impression of illiquidity for certain funds, and potentially confusing investors.

i. Closing Off Bank Loans to Retail Investors is Unnecessary

In eliminating the less liquid investment category, the Proposal would reclassify all less liquid investments as illiquid. Because bank loan investments typically settle in more than seven days, most of those investments would be illiquid investments under the Proposal. In 2021, over 90% of bank loan investments were classified as less liquid investments.[43] Thus, the reclassification of less liquid investments as illiquid investments would push a majority of bank loan funds out of compliance with the 15% limit on illiquid investments under the Liquidity Rule, meaning that such funds would no longer be able to operate within an open-end fund structure. We acknowledge that the Proposal is "designed to reduce the mismatch between the receipt of cash upon the sale of assets with longer settlement periods and the payment of shareholder redemptions [in order to] better position funds to meet redemptions, including in times of stress."[44] We also recognize the Commission's efforts to bolster fund resilience following the unexpected market volatility of March 2020. We are concerned, however, that the Proposal does not fully consider the benefits of diversifying a portfolio with exposure to bank loan investments or the experience of bank loan funds during periods of market stress, including during March 2020, in proposing this draconian change. If the Commission is committed to redefining an "illiquid investment" as one that cannot be sold or disposed of *or settled* in seven calendar days, we urge the Commission to first use the multitude of tools at its disposal, including roundtables, requests for comment, and joint rulemaking, to more effectively explore potential solutions for shortening the extended settlement times of bank loans. As it stands, the Proposal would effectively eliminate access to an entire asset class without adequate consideration of shareholder choice, shareholder costs, and potential solutions for abbreviating extended settlement periods.

Open-end bank loan funds, including bank loan ETFs, are an attractive investment option that can provide a reliable source of income for retail investors, among other benefits. Unsurprisingly, there is growing investor demand for bank loan funds. Between 2001 and 2021, assets in floating-rate high-yield bond funds grew from $15 billion across 14 funds to $102 billion across 66 funds.[45] Bank loans offer lower correlations to indices relative to fixed-income and equity asset classes, thus enhancing the diversification of, and reducing the overall risk to, investors' portfolios. Because floating rate loans are less sensitive to interest rate increases, they

---

[43] *See* Proposing Release at 77,191.
[44] *Id*. at 77,183.
[45] *See* Inv. Co. Inst., 2022 Investment Company Fact Book 213 (2022), https://www.ici.org/system/files/2022-05/2022_factbook.pdf.

are an especially attractive investment option in today's inflationary environment. Bank loans also are potentially less risky than other loan products such as high yield debt securities because the risk of a bank loan default is mitigated by the fact of the bank loan's senior secured position in the issuer's capital structure. In the event of an issuer's default, bank loans would take priority over more junior debt and thus generally have higher recovery rates compared to subordinated debt.[46] If a substantial number of bank loan funds are required to shutter their windows or restructure as alternative investment vehicles, bank loan investments as an asset class are likely to move to products that do not offer features that these investors want, are unavailable to certain investors, such as retail investors, or are currently beyond the reach of the Commission's regulatory purview.[47] Moreover, the liquidation of open-end bank loan funds would fragment markets, depriving the bank loan market of the liquidity created by such funds and frustrating the Commission's mission of facilitating capital formation.

What is more, as we have noted, the Proposal would eliminate an entire asset class as an investment option for investors, disproportionately impacting retail investors. While institutional investors would still have access to bank loans through separate accounts or private funds, generally retail investors can only gain access to asset classes like bank loans through an open-end fund. Given the benefits of diversifying portfolios with exposure to bank loan investments, particularly in rising interest rate environments, we believe this aspect of the Proposal would disproportionately disadvantage retail investors.

The elimination of an entire category of open-end funds is not commensurate with the track record of bank loan funds managing liquidity risk under past stressed market conditions. As the Commission acknowledges, bank loan funds successfully met redemptions during March 2020, notwithstanding substantial outflows approximating 13% of assets.[48] Similarly, bank loan funds met redemptions during periods of significant outflows in 2008, 2011, and 2014.[49] In fact, our members have calculated that, outside of 2022, bank loan funds have only had two years of negative returns in the past twenty-five years: 2008 (the global financial crisis) and 2015 (oil and commodities sell-off). Ironically, our members generally are of the view that shorter settlement times for bank loan assets can be available in periods of market stress through expedited settlements that involve participations and assignments.[50] Those mechanisms may not be the easiest to maintain or the most ideal for ordinary course trading but they have been available when needed. Managers of bank loan funds have also used various strategies to successfully manage redemption requests in normal and stressed market conditions, including cash,

---

[46] Our members have calculated that bank loans have an average recovery of 80 cents on the dollar versus 40 cents on the dollar for high yield debt after an event of default.

[47] While the Proposal offers the alternative of closed-end funds, we believe that many investors strongly prefer the open-end fund structure. In addition, the open-end fund structure is designed and works well with retirement plan platforms and other investment avenues.

[48] *See* Proposing Release at 77,183.

[49] *See* Loan Syndications & Trading Ass'n, Comment Letter on 2015 Proposing Release, File No. S7–16–15, at 12-16 (Jan. 13, 2016), https://www.sec.gov/comments/s7-16-15/s71615-57.pdf.

[50] Assignment agreements involve the lender selling all or part of the loan to another party, and generally requires the consent of all parties, which potentially could extend the settlement time. In contrast, members have found that participation agreements, which involve merely the sale of an interest in a loan by a lender to another party, generally are more efficient in this regard because they do not require the borrower's consent.

committed lines of credit,[51] and use of assets from interest and loan repayments. The cash available from regular interest payments and maturities should not be underestimated. They continue to operate in times of market stress and are a valuable source of cash that does not depend on selling assets or receiving inflows from shareholders.

If the Commission's goal is to reduce bank loan settlement periods, the Proposal is unlikely to achieve this objective because fund managers are not unilaterally able to shorten settlement periods. As the Commission recognizes, loan settlement is a complex process and open-end funds make up approximately 15% of the bank loan market.[52] Bank loan settlement occurs through the execution of generally standardized assignment documentation that transfers ownership from the seller to the buyer. The factors affecting the time it ultimately takes to settle a bank loan are often out of the control of open-end funds. Although we believe that shortening the settlement time of bank loans is worth consideration, we do not view the Proposal as the appropriate conduit for fundamental changes to the bank loan industry. Therefore, we question whether the likely blunt result of the Proposal—the elimination of bank loan funds as an investment product available to open-end fund shareholders and retail investors in particular—is proportionate to the Commission's concerns with these funds, particularly when bank loan funds have weathered significant market stress in the past.[53]

Alternatively, the Commission could consider other options to keep open-end bank loan funds viable. For example, the Commission could keep three or four classification categories and establish a bank loan specific category, require lines of credit for bank loan funds or establish a minimum (higher) HLIM for bank loan funds relative to other funds not characterized by protracted settlement periods. The Commission may consider setting the HLIM for bank loan funds at 10%, with managers and the fund's board having the option to consider a higher minimum depending on a fund's liquidity risk factors and investment objectives. The Commission also may consider issuing exemptive relief that would allow open-end bank loan funds to convert to monthly or quarterly interval funds without a shareholder vote.

---

[51] The Commission acknowledges that bank loan funds could use lines of credit as a tool to meet redemptions but dismisses the utility of this tool. *See* Proposing Release at 77,191. Although a committed line of credit may be more expensive to maintain, our members believe that a committed line of credit can be a helpful tool in managing liquidity.

[52] As the Proposal notes, "[b]ank loans are not standardized and have individualized legal documentation. This provides flexibility of terms for bank loans, but also increases the time for a fund to settle a bank loan trade and receive proceeds from the sale, thus increasing the risk of the fund not being able to meet shareholder redemptions." *Id.* at 77,191.

[53] Although we recommend against the elimination of the less liquid investment category, if the Proposal is adopted, we recommend that the SEC consider an extended compliance period. As it stands, the Proposal could lead to large sales of bank loans as bank loan funds liquidate, which would have the same negative impact on shareholders and markets that the Commission, through this Proposal, is trying to prevent. Members have reported that they would need at least a 24-month compliance period to orderly transition bank loan funds. Moreover, the Commission could consider providing relief from the shareholder vote requirement for existing bank loan funds to transition to monthly or quarterly interval funds with 90-days advance notice to shareholders.

ii. Classifying Bank Loans as Per Se Illiquid Would Negatively Impact Non-Bank Loan Funds

The proposed reclassification of less liquid instruments as illiquid investments also will negatively impact funds with investment allocations to bank loan investments or other investments typically classified as less liquid. The elimination of the less liquid category could also affect non-bank-loan-specific funds including multisector funds, local emerging market debt funds, mortgage-backed securities funds that allocate to early buyouts, and high yield funds that allocate to bank loans. The reclassification may push these non-bank-loan-specific funds out of compliance with the 15% limit on illiquid investments. This would further limit the investment universe for these funds and negatively impact shareholder return.

iii. The Proposal Conflates Less Liquid and Illiquid Investments

The elimination of the less liquid category conflates illiquid investments with those investments that have protracted settlement times. SIFMA AMG is of the view that there are true, meaningful differences between the less liquid and illiquid investment categories that should be reflected in liquidity risk management programs. Currently, the illiquid category is reserved for investments that truly cannot be sold or disposed of in seven days or less. This definition comports with the industry's—and investors'—general understanding of illiquidity. The Proposal would broaden the illiquid definition to reach investments that can in fact be sold or disposed of in seven days or less, but that have a protracted settlement period. To illustrate, under the Proposal, a Russian bond that *cannot* be traded and an emerging market debt security that could be traded, albeit following a potentially extended settlement period, both would be treated as illiquid investments.[54] Additionally, restricted securities that require additional time to settle and new issue fixed-income securities with future settlement dates would be classified as illiquid, even though a manager's experience would suggest that there is a ready market for such securities. The elimination of the less liquid investment category would thus overstate illiquidity and cause investor and market confusion.

In addition, funds currently classify a multitude of investments as less liquid rather than illiquid for reasons not directly related to the ability to readily dispose of the investment. For example, at the time of investment, a fund may not have the information necessary to confirm the conversion to cash period or settlement time of a particular asset, such as certain fixed-income securities, small-cap equity securities, emerging market debt securities, and micro-cap securities, though a portfolio manager's experience in the market would generally suggest that such investment is typically classified as moderately liquid. The removal of the less liquid category would result in these investments being classified as illiquid and prevent funds from investing in these securities. If the Commission expects the classifications to be useful to funds and investment professionals, such distinctions are meaningful. The Proposal would restrict investment allocation decisions and interfere with effective implementation of investment strategies.

Further, the Proposal would have a negative impact on shareholders seeking broad investment exposure to certain asset classes and restrict managers' ability to operate funds within their

---

[54] Restricted securities that only can be resold under certain conditions are another example of securities that members consider truly illiquid.

investment guidelines. Ultimately, the Proposal would materialize in the form of limited investor choice and decreased returns for shareholders. For these reasons, we recommend that the Commission retain the less liquid investment category.

2. Addition of U.S. GAAP Attribute to Definition of Illiquid Investment Conflates Fair Valuation and Liquidity

The Proposal would amend the Liquidity Rule's definition of "illiquid investment" to include investments whose fair value is measured using an unobservable input that is significant to the overall measurement. We believe that this proposed change would inappropriately merge valuation and liquidity under the definition of illiquid investment and would result in investor confusion. The contemplated introduction of the U.S. GAAP concept of Level 3 assets into liquidity analyses also would result in instruments that readily can be sold being deemed illiquid.[55] There are several instances when a fund might be required to fair value a security using an unobservable input for reasons independent of the instrument's underlying liquidity. Members report that common examples include instances of market closures due to weather (*i.e.*, a typhoon closing the Taiwan Stock Exchange) and trading halts due to routine events such as business announcements or capital raising. Less common but still plausible examples include weather-related shutdowns of a U.S. exchange (as was the case in 2012 during Hurricane Sandy). Requiring funds to classify fair valued securities as illiquid would unnecessarily pressure funds' illiquid holdings bucket during routine market closures that have little to do with an instrument's liquidity, potentially pushing some funds out of compliance with the 15% limit on illiquid investments.

Adding Level 3 assets to the illiquid classification bucket would conflate the separate concepts of fair valuation and liquidity, potentially resulting in investor confusion. The observability of pricing inputs is a fundamentally different concept than the liquidity of an investment, and we believe that the illiquid investment definition should not be expanded to reflect pricing input observability. For example, members report that they classify some mortgage and other asset-backed securities that are not frequently traded or quoted as Level 3 securities if pricing services cannot obtain broker quotes or only obtain broker quotes that cannot be corroborated by observable inputs. Member experience suggests that these securities typically can be sold in approximately a day as dealers readily will make markets for these securities. Under the Proposal, however, such securities would be classified as illiquid when in practice they readily can be sold and converted to U.S. dollars. Another example of the potential negative effects of the Proposal would be its impact to fixed income securities such as new issue securities, which members might classify as Level 3 securities for a time before vendors are able to price them. We believe that funds should not be required to treat such new issue fixed income securities as illiquid if the manager's experience in the market indicates that a vendor price is forthcoming within a reasonable time. For these reasons, SIFMA AMG believes that the Commission should

[55] For instance, Level 3 assets may include new issue fixed-income securities, which would result in such securities being classified as illiquid, even though a manager's experience would suggest that there is a ready market for such securities.

not expand the definition of illiquid investment to include investments whose fair value is measured using an unobservable input that is significant to the overall measurement.

3. Revising the Method for Beginning Day Count Would Further Impact the Liquidity Classification of Assets

The Proposal would amend the Liquidity Rule to specify that funds must count the day of classification when determining the period in which an investment is reasonably expected to be convertible to U.S. dollars.[56] Currently, the Liquidity Rule does not specify when to begin counting the number of days. The Commission states that funds have inconsistent practices regarding when they begin the measurement and that such inconsistency may lead certain funds to overestimate their liquidity classifications. Requiring funds to count the day of classification as day one, however, is inconsistent with industry practice, including how redemptions are met, where the redemption must be met within seven days of receiving a redemption request.

Although we welcome guidance from the Commission to ensure consistency across funds in determining an investment's liquidity classification and to provide comparability when analyzing trends across funds, the Commission's proposed method of counting—using the day of classification as day one—may have unintended consequences, especially when coupled with other aspects of the Proposal. For example, if an investment is classified on a Monday, it would need to be convertible to U.S. dollars in five calendar days (*i.e.*, Friday) as opposed to seven calendar days to be classified as moderately liquid given that seven days from Monday would be Sunday, when markets are closed. In addition, at present, many funds interpret three days to mean T+3, meaning that an investment traded on Monday and settled by Thursday would be classified as a highly liquid investment. Under the Proposal, the same investment would have to settle by Wednesday to be classified as a highly liquid investment even if the trade occurred at the end of the trading day on Monday. These two scenarios demonstrate how the Proposal may prove to artificially inflate funds' moderately liquid and illiquid investment classifications and mislead investors' perceptions of fund liquidity.[57] In addition, because some markets require receipt of currency prior to the sale of currency, certain emerging market securities that must be converted to U.S. dollars would be less likely to be classified as liquid investments.

In short, under the Proposal, any investment that takes longer than three days to trade would be considered illiquid. Accordingly, revising the method for counting days would further exacerbate the effect of the Proposal. Combined with a 10% STS, inflexible value-impact parameters, and the elimination of the less liquid category, a number of investments would be pushed into the illiquid category, notwithstanding that there is a ready market for them. For these reasons, we recommend that the Commission not use the day of classification as day one, consistent with current industry practice, as well as how redemptions are met.

---

[56] The Proposal offers the following example: in order for a fund to classify an investment as highly liquid on Monday, it would need to reasonably expect that the investment could be sold and settled to U.S. dollars by Wednesday at the latest. *See* Proposing Release at 77,193.

[57] For instance, certain funds on paper would hold mostly moderately liquid or illiquid securities, even though in practice most of the portfolio would trade as highly liquid investments.

4. Mandatory Daily Classification Seeks Unnecessary Precision and Would Impose Significant Unnecessary Costs

The Proposal also would amend the Liquidity Rule to require a fund to classify all its portfolio investments each business day instead of at least monthly. Currently, funds must review their liquidity classifications at least monthly in connection with reporting on Form N-PORT, and more frequently if changes in relevant market, trading, and investment-specific considerations are reasonably expected to materially affect one or more of their investments' classifications.

For some members, a mandatory daily classification system would result in operational costs that outweigh the potential benefits. Currently, some members find it useful to voluntarily classify their portfolio investments daily to monitor their compliance with the 15% limit on illiquid investments and the HLIM.[58] The option to classify daily, which may be appropriate for a fund's particular circumstances, is vastly different from a mandatory requirement to classify daily all fund investments. A mandatory daily classification system would result in significant operational costs for other members because a great deal of data collection and analysis is involved in funds' classification processes and many funds rely on vendors for classifications. Funds that do not currently classify all portfolio investments on a daily basis would be required to establish internal systems and hire additional personnel to handle those investments not covered by liquidity vendors, adding to costs that would be passed to investors. A daily classification requirement also would give funds less time to vet and challenge liquidity results, if necessary, potentially resulting in lower quality liquidity data.

The Commission fails to appreciate the unintended consequences of mandating daily classification. Managers might be required to closely monitor a security's settlement process to track potential technical issues that could delay settlement by a day or two, necessitating reclassification of the security, which could potentially cause funds to breach the illiquid investment limit or the HLIM for reasons that are not specific to the true settlement of the relevant asset or its trading history.[59] Such monitoring also would impose costs on funds without providing any real benefits to funds or their investors. Overall, we believe that the Commission fails to appreciate that the incremental information provided by daily liquidity classification provides a false sense of precision and is of limited use to investors.

We are skeptical that investment professionals, armed with their own sense of the market and other tools developed by their shops, will gain marginal benefit that would outweigh the substantial effort to create daily liquidity classifications with the precision the Proposal contemplates. Funds could find themselves allocating significant resources to gather and validate data that is not used by investment professionals and implies more precision in measuring market liquidity than warranted. By analogy, funds undertake a substantial effort to assign prices to each holding each day for NAV calculations. We do not believe that an endeavor of such magnitude is necessary to meet the Commission's policy objectives.

---

[58] During March 2020, some members opted to classify their investments weekly instead of monthly.

[59] For example, if there is a technical issue at a settlement clearing agency and the settlement of all equities or bonds is delayed by one or two days, and such delay causes the day count (assuming a 10% STS) to increase beyond seven days, it is unclear whether managers would be required to classify the relevant instrument as illiquid.

In addition, by establishing a rule that purports to give precision to a given fund's daily assessment of its liquidity classifications for all its investments—when those assessments are based on potentially lower quality liquidity data given the classification frequency—funds and their sponsors are exposed to increased risk of litigation claims based on second-guessing in hindsight that they inaccurately assessed the liquidity classification and attendant liquidity risk. Accordingly, we recommend that the Commission retain the flexibility for funds to classify monthly, weekly or daily based on current market conditions and fund-specific considerations. If the Commission determines to move forward with requiring funds to classify their portfolio investments each business day, the Commission should not require funds to report these daily classifications on Form N-PORT.

We also note that many funds, advisers and sub-advisers maintain their own liquidity risk management programs separate and apart from the requirements under the Liquidity Rule. These are designed and informed by risk and investment professionals. While they may not operate to meet a specific regulatory requirement, they are tools to help manage liquidity risk and should give the Commission comfort regarding the seriousness with which liquidity risk is taken. The absence of a daily classification mandate does not mean that funds, advisers and sub-advisers are not mindful of liquidity risk on a daily basis and taking their own measures to address changes in market conditions. We encourage the Commission to recognize the existence of these frameworks—many of which pre-dated the Liquidity Rule itself—when considering what incremental requirements and costs are necessary to impose by rule.

E. Highly Liquid Investment Minimum

The Proposal would amend the Liquidity Rule to require all funds to determine and maintain an HLIM of at least 10% of the fund's net assets, which is equivalent to the proposed STS (see discussion above in Section IV.A.).[60] The Proposal would remove the exclusion under the Liquidity Rule for funds that primarily invest in highly liquid investments, subjecting all funds to the HLIM requirements. As such, under the Proposal, all funds would be required to (i) consider a specified set of liquidity risk factors to determine whether their HLIMs should be above 10%, (ii) review HLIMs at least annually, and (iii) adopt shortfall policies and procedures. Currently, a fund must establish an HLIM only if it does not primarily hold assets that are highly liquid investments and funds have flexibility in determining their HLIMs.[61]

The Proposal would further amend the Liquidity Rule to require that, when determining the amount of assets a fund has classified as highly liquid that count toward the HLIM, the fund account for limitations in its ability to use some of those assets to meet redemptions.[62]

---

[60] *See* Proposing Release at 77,195.

[61] *See* 17 C.F.R. 270.22e-4(b)(iii)(A). Currently, highly liquid investments include any cash held by a fund and any investment that the fund reasonably expects to be convertible into cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment. *See id.* at 270.22e-4(a)(6).

[62] Specifically, in assessing compliance with a fund's HLIM, the Proposal would require a fund to (i) subtract 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 and (ii) subtract any fund liabilities.

1. A Uniform HLIM of 10% Would Result in Reduced Performance and Additional Costs to Shareholders

We disagree with the Commission's Proposal to mandate that all funds, regardless of investment strategy, investment exposure, or shareholder base, establish and maintain a 10% HLIM. The Commission's rationale for imposing a 10% HLIM is to ensure funds have sufficient liquid investments to manage heightened levels of redemptions. We do not believe that funds should be required to be managed each day in anticipation of a level of redemption that is highly unlikely to occur. Managing funds to a doomsday scenario each day, irrespective of market conditions, will require certain types of funds (*e.g.*, bond funds) to sacrifice returns for increased liquidity (as proposed to be redefined). Moreover, even for funds that invest in what would be considered "liquid" securities, the proposed minimum value impact standard could force funds to change portfolio composition to be in line with the HLIM. These changes to portfolio management to comply with the proposed liquidity management framework would negatively impact fund performance, result in additional costs to shareholders, and impact a fund's ability to manage assets in accordance with their investment strategies.[63] SIFMA AMG believes that the mandated 10% HLIM overstates what a fund may need in times of stress.

In addition, we are concerned that the Commission's proposed elimination of the primarily highly liquid exclusion is unjustified. The Commission recognizes that approximately 83% of funds currently rely on the primarily highly liquid exclusion and then surmises that this Proposal would not affect their strategies.[64] We disagree. Some funds have opted to establish HLIMs, even when they would qualify for the primarily highly liquid exclusion, for administrative ease and not because of liquidity considerations. This determination is typically made when other funds in the complex have already established HLIMs and thus the additional analysis is not overly burdensome. But for other complexes that have not established HLIMs for any funds or only established HLIMs for a small percentage of funds, this aspect of the Proposal would materialize in the form of unnecessary costs, including the adoption of new shortfall policies. The Commission refers to the "level of weekly outflows some funds have experienced and the difficulty in predicting future stress events" as support for additional regulation, but these statements are not supported by examples or data. Again, we echo our concern that a one-size-fits-all prescriptive approach would hamstring managers and result in added costs to shareholders.

2. Changes to HLIM Calculation Would Introduce Unnecessary Subjectivity

We believe asking funds to subtract fund liabilities when assessing compliance with an established HLIM will introduce additional complexity and subjectivity into liquidity risk management without much corresponding benefit. This part of the Proposal likely will be costly to implement and provide few, if any, added benefits. For some funds, collateral represents only a small percent of the fund's portfolio and mostly covers highly liquid derivatives. Members report that data on collateral and data on other holdings typically come from different sources, so

---

[63] Certain members have informed us the adjusted day count and elimination of asset class classification could result in unintended consequences such as highly liquid funds having difficulty meeting the 10% HLIM requirement.
[64] Proposing Release at 77,196. We note that this number reflects the percentage of funds relying on the primarily highly liquid exclusion without giving effect to the proposed changes, which, as explained throughout this letter, likely would decrease the number of funds that would be determined primarily highly liquid funds.

there would be a cost to building the infrastructure to perform the calculations necessary to comply with this aspect of the Proposal.[65] Further, the Proposal is unclear regarding what would count as a "fund liability," and members report that reasonable managers might disagree on what constitutes a fund liability. Generally, however, liabilities are small for funds that do not engage in leverage transactions. In sum, requiring funds to subtract liabilities would be costly to implement because the data required to perform the calculations are located in separate books of records and introduce a level of subjectivity as to what constitutes a liability.

3. Recommended Alternatives

We recommend that the Commission retain the exception for primarily highly liquid funds and continue to permit funds to establish and maintain HLIMs following consideration of various liquidity factors, including a fund's investment strategy and cash-flow projections, in both normal and reasonably foreseeable stressed conditions. The Commission acknowledges that a majority of funds that established an HLIM set their minimum at less than 10% of a fund's net assets, while approximately only 8% of funds reported a minimum of more than 50% of a fund's net assets.[66] We are not surprised that the Commission found a wide divergence of HLIMs by fund given that each fund is unique in its strategy, flow history, and shareholder concentration.[67] The Commission's proposal to set the HLIM at an arbitrary 10% for all funds is not supported by evidence of funds being unable to meet redemptions in reasonably foreseeable or unforeseeable stressed market conditions. If the Commission continues to believe a minimum HLIM is necessary, the Commission could consider setting a minimum HLIM that more closely reflects managers' experience in the market (*i.e.*, less than 10%), but always preserving each fund's flexibility to set different HLIMs for different funds.

F. Aggregate Impact of Changes to Liquidity Risk Management Framework Would Alter Risk-Return Profile of Most Funds and Hamstring Managers' Ability to Remain Nimble in Times of Market Stress, Contributing to Market Volatility

The Proposal would make each element of the liquidity risk management framework more prescriptive and restrictive, and this letter discusses the negative consequences that may result from each individual element. In addition, we are even more concerned about the cumulative impact of the Proposal and how the potential implementation of the different components may affect how managers structure their portfolios and alter the risk-return profile of many, if not all, funds. We believe the Proposal would result in managers allocating less to asset classes that would be deemed "illiquid" under the Proposal but that managers would not otherwise consider illiquid, eliminate entire asset classes for certain investors (and in turn, curtail investor choice) and, ultimately, materialize in the form of lower returns. Ironically, the Proposal would manufacture the volatility it seeks to manage against by imposing the terms of a prescriptive rule that would hamstring managers' ability to deploy cash, manage risk exposure and capture return in response to changing market conditions. In sum, the Proposal's economic analysis failed to

---

[65] Members also report that it could be a labor-intensive process to determine what collateral is covering liquid versus illiquid derivatives, since such information is not typically a line-item based number.
[66] *See* Proposing Release at 77,195.
[67] *See id.*

seriously consider the aggregate impact of the changes to funds' liquidity risk management programs.[68]

The following are some examples of the potential aggregate impact of certain elements of the Proposal:

- The elimination of the less liquid category in conjunction with (i) requiring funds to count the day of classification when determining the period in which an investment is reasonably expected to be convertible to U.S. dollars, (ii) changes to the definition of highly liquid, moderately liquid, and illiquid investment categories, and (iii) requiring funds to assume an STS of 10% would negatively impact portfolios by overstating illiquidity, requiring funds to reposition or run afoul of the 15% limit on illiquid investments.
- The combination of the 10% STS, the elimination of the less liquid bucket, the 20% average daily trading volume with a 20-day lookback, the expected 1% decrease in sales price for instruments that are not exchange traded, the removal of asset class classifications, and adjusted day counts also would disproportionately impact funds that hold investments with limited daily trading volumes, such as many fixed income securities, small-cap securities, Euro-Pacific securities, and emerging market securities, making such funds overall less liquid.
- Members find that the Proposal would disproportionately impact larger, stable equity-focused funds, particularly those with holdings in small-cap securities or mid-cap securities and emerging market securities, compared to smaller funds with higher levels of shareholder concentration.
- During periods of short-term market stress, the mechanical nature of the Proposal could result in greater portions of portfolios being deemed illiquid and result in funds breaching the 15% limit on illiquid investments. This scenario could arise due to events outside of the fund's control and in circumstances where the fund was prudently positioned. In such a case, the fund would find itself in a forced selling because of market events spanning only a few days. Forced selling not only would have an adverse impact on fund shareholders but also on the broader market. In addition, the fund would be unable to make additional investments and take advantage of short-term pricing dislocations as long as it remains above the 15% threshold. Again, fund shareholders would miss out on returns and the broader market would miss out on capital at the exact time buyers are in short supply.

In the event that the Commission adopts the Proposal, and in light of the far-reaching impact such changes would have on the liquidity risk management framework for open-end funds, we believe that the Commission should allow for an implementation period of at least three years, to be revisited following funds' assessment of, and adjustments to, their operations in response to the Proposal.[69] As discussed above, managers already spent two years and considerable resources

---

[68] *See id*. at 77,250.

[69] At a minimum, funds would need to re-assess strategies and product design, portfolio guidelines, marketing materials, and the associated technology and infrastructure. Investors would need to assess changes in funds that

to implement the Liquidity Rule, and we believe that the implementation of the proposed amendments to the Liquidity Rule would be even more time- and labor-intensive.

In addition, as the Commission considers the aggregate impact of the Proposal and different ways to support fund resiliency in times of foreseeable and unforeseeable market stress, SIFMA AMG recommends that the Commission amend Rule 17a-7 under the 1940 Act to permit cross-trading of fixed-income securities.

V. Proposed N-PORT Filing Requirements Would Increase Costs in Exchange for No Additional Benefits

The Proposal would require reports on Form N-PORT to be filed within 30 days of month-end, and such reports would be made public 60 days after month-end.[70] Currently, open-end funds, closed-end funds, and ETFs registered as unit investment trusts (excluding money market funds and small business investment companies) are required to file monthly information with the SEC on Form N-PORT within 60 days after the end of each fiscal quarter, and the public only has access to such information for the third month of each quarter. The Proposal also would amend Part F of Form N-PORT to require funds to disclose their portfolio holdings presented in accordance with Regulation S-X within 60 days of the end of the reporting period for each month.[71] Further, the Proposal would require an open-end fund that is subject to the Liquidity Rule's classification requirements to provide information regarding the aggregate percentage of its portfolio represented in each of the three proposed classification categories, which would be made publicly available, with such percentages adjusted to give effect to other aspects of the Proposal.[72]

We believe the cost of the Proposal's changes to Form N-PORT reporting requirements outweigh any potential benefits. Requiring funds to file Form N-PORT on a monthly instead of quarterly basis would result in incomplete data and substantial costs to funds, including closed-end funds that are otherwise not directly impacted by the Proposal.[73]

Requiring funds to disclose their portfolio holdings presented in accordance with Regulation S-X within 60 days of the end of the reporting period for each month would create unnecessary operational hurdles and impose excessive costs on fund shareholders. Because most funds use T+1 accounting to record their day-to-day transactions, it currently takes significant time and resources to reconcile Form N-PORT information into a Regulation S-X-compliant format. Under the Proposal, these funds would need to convert their daily T+1 accounting records into a trade-date based Regulation S-X-compliant presentation, which would require several time

---

remain available or no longer will be available and determine how to adjust. Financial advisors, consultants and other intermediaries would need to wait for funds to adjust before re-validating their assessments and diligence of strategies.

[70] The Proposal states that the information reported on Form N-PORT that is currently nonpublic (including liquidity classifications for individual portfolio investments) would remain nonpublic, even in the report for the third month of the quarter that is otherwise publicly available.

[71] *See* Proposing Release at 77,232.

[72] The Proposal would also require public disclosure of swing factor adjustments. SIFMA AMG believes that swing factor information should not be publicly available. *See* SIFMA AMG Swing Pricing Comment Letter at 20.

[73] Some members estimate that filing Form N-PORT monthly would result in an additional cost of $5,000 per fund per year.

intensive and possibly manual topside accounting entries. This would essentially require that these funds complete a full "accounting close" process monthly instead of quarterly.

In addition, requiring funds to disclose aggregate liquidity data may in fact mislead investors because, depending on the process or vendor used, funds could come to different liquidity results for the same portfolio holdings. The prospect of differing liquidity results for the same portfolio holdings increases the risk of litigation for funds and sponsors whose process or vendors yielded even marginally higher liquidity assessments as opportunistic plaintiffs can be expected to use a peer fund's lower liquidity assessments as evidence that the fund or sponsor misled investors about the real nature of the fund's liquidity risk. Moreover, as discussed in more detail above in Section IV.A., a larger fund potentially would appear less liquid than a similar smaller fund if the Proposal to require a 10% STS is adopted in tandem.

For these reasons, SIFMA AMG believes that a 30-day lag period is too short. In order to reasonably ensure accurate, reliable information is provided to the Commission and to investors, the Commission should leave the 60-day filing lag in place.

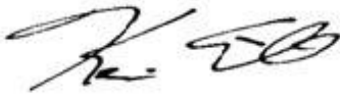
VI. Conclusion

The Proposal would impose sweeping and costly changes without proper consideration of the full impact on the open-end fund industry, including lower returns for shareholders, more limited investor choice, diverted assets from open-end fund offerings to less-regulated vehicles and, ultimately, higher costs to shareholders. Open-end funds have a long history of satisfying redemption requests, including during periods of significant market stress. Yet, the Proposal would require funds to be managed to highly unlikely scenarios, without regard to fund-specific circumstances. Ultimately, the Proposal would result in the Commission mandating how fund managers should structure their portfolios, to the detriment of the investors the Commission seeks to protect.

SIFMA AMG appreciates the opportunity to comment on the proposed rules. If you have any questions or would like to discuss anything in this letter further, we welcome the opportunity to engage with you. Please feel free to contact Lindsey Keljo [redacted] and Kevin Ehrlich [redacted] or our counsel George B. Raine [redacted], Jennifer Choi [redacted]), and Jimena Smith [redacted]) at Ropes & Gray LLP.

Sincerely,

Lindsey Weber Keljo
Head, Asset Management Group
Securities Industry and Financial Markets Association



Kevin Ehrlich
Managing Director, Asset Management Group
Securities Industry and Financial Markets Association

cc: The Hon. Gary Gensler, Chair, U.S. Securities and Exchange Commission
The Hon. Hester M. Peirce, Commissioner, U.S. Securities and Exchange Commission
The Hon. Caroline A. Crenshaw, Commissioner, U.S. Securities and Exchange Commission
The Hon. Mark T. Uyeda, Commissioner, U.S. Securities and Exchange Commission
The Hon. Jaime Lizárraga, Commissioner, U.S. Securities and Exchange Commission
Mr. William A. Birdthistle, Director, Division of Investment Management, U.S. Securities and Exchange Commission