FRANKLIN TEMPLETON

Franklin Templeton
One Franklin Parkway
San Mateo, CA 94403-1906
tel (800) 342-5236
franklintempleton.com

February 14, 2023

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

Subject: **Open-End Fund Liquidity Risk Management Programs and Swing Princing; Form N-Port Reporting**

Dear Ms. Countryman:

Thank you for the opportunity to submit comments on the rulemaking proposal regarding Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-Port Reporting (the "Proposal").

Franklin Templeton is a global investment management organization that is headquartered in San Mateo, California, employing over 9,800 employees with offices in over 30 countries. Franklin Templeton currently manages approximately $1.3 trillion in assets, including over 300 SEC-registered open-end funds, closed-end funds and ETFs, as well as other investment products and strategies that are designed to meet the investment needs of our clients.

Franklin Templeton is a member of several industry trade associations that have taken an interest in the Proposal, including the Investment Company Institute ("ICI") and the Securities Industry and Financial Markets Association ("SIFMA"). We have reviewed the Proposal and have concerns with its potential impact on our funds and their shareholders, and join our trade association colleagues at ICI and SIFMA in the comments and concerns expressed in the letters that they have submitted. In addition, we have the following comments:

Swing Pricing/Hard Close Requirement

The proposed amendment to Rule 22c-1 would require all mutual funds to use swing pricing as an anti-dilution measure. This one-size-fits-all approach ignores the fact that funds vary significantly in size, asset types, and investor types, all of which are attributes that need to be considered when determining a fund's risk of dilution. For the reasons stated below, we do not support this proposed amendment and urge the Commission to reconsider this rulemaking.

Based on our experience as a large European fund manager, we believe that the approach in the Proposal differs significantly from the swing pricing approach used in the European model. For example, swing pricing in Europe is used at the discretion of the fund manager based on the characteristics of each fund, and is an optional tool for managers to use. In contrast, the Proposal would impose prescriptive and detailed requirements for swing pricing that would be required to be used across all funds (except ETFs and money market funds), which we believe could negatively impact retail investors. For example, in periods of net redemptions, small, retail investors could be impacted by swing pricing to the same extent as large institutional investors, even though the retail investors' trading is not the cause of the dilution.

In addition, in order to implement swing pricing, the Proposal would require the establishment of a "hard close," which could negatively impact retail investors. This is because most retail investors purchase and sell fund shares through intermediaries, including brokerage accounts and 401(k) plans or other retirement plans. These intermediaries typically operate omnibus accounts that accept orders prior to 4:00 ET and submit net trades to fund transfer agents after 4:00 ET. Many of the net trades are submitted the next day.

By instituting a hard close, intermediaries might require shareholders to submit trades well in advance of 4:00 ET. Failure to do so could result in retail investors being out of the market for one or more days while their transactions are processed. Institutional investors, many of whom trade directly with mutual funds, would be able to gauge market movements and trade until 4:00 ET, giving them an unfair advantage over retail investors.

We believe that if swing pricing, and the requirement for a hard close is adopted, retirement plan providers in particular might decide to remove mutual funds from their platforms entirely, due to the significant changes that the providers would need to make to their operational infrastructure. This would result in a loss of investor choice for retirement plan participants and would also cause significant disruption for all fund shareholders.

Liquidity Bucketing

With respect to the proposed amendments relating to a fund's liquidity risk management program, we note that the removal of the "less liquid" bucket would result in securities assigned to that bucket being re-assigned to the "illiquid" bucket. This would have a significant impact on funds that invest in bank loans, as bank loans have extended settlement times that exceed seven calendar days and would be considered illiquid under the proposed amendments.

We believe that the current framework that includes a less liquid bucket addresses investor protection and liquidity concerns and should not be changed. The change in bucketing would cause fund firms that offer bank loan funds, such as Franklin Templeton, to reevaluate the viability of these funds as currently structured or to liquidate the funds. This would negatively impact shareholders who have chosen to invest in these funds and would result in a loss of investor choice with no apparent benefit.

* * * * *

We appreciate the Staff's consideration of both our and our trade associations' comments.

Sincerely,

DocuSigned by:
Alison E. Baur
99AF07A1D7694E4...

Alison E. Baur
Deputy General Counsel
Franklin Templeton