RBC Funds Trust
50 South Sixth Street, Suite 2350
Minneapolis, MN 55402

February 14, 2023

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

Re: Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting – Comment on Proposal (File No. S7-26-22)

Dear Ms. Countryman:

I am Chairman and an independent member of the Board of Trustees of RBC Funds Trust (the "Trust"), an investment company registered under the Investment Company Act of 1940, as amended (the "Act").[1] I write on behalf of the independent members of the Board to provide comments on the U.S. Securities and Exchange Commission's proposed amendments to open-end fund liquidity risk management programs and swing pricing under the Act and the rules and forms thereunder ("Proposed Amendments").[2]

The Trust is a mutual fund complex comprised of 23 open-end funds ("Funds") managed by RBC Global Asset Management (U.S.) Inc. (the "Adviser") and its affiliates which, as of January 31, 2023, had approximately $14.27 billion in net assets. The RBC mutual fund complex includes U.S. equity funds, global/international equity funds, U.S. and foreign fixed income funds and a U.S. Government Money Market Fund.

As independent trustees, it is unusual for us to submit a comment letter to the Commission. Given the substantial negative impact that the Proposed Amendments would have on shareholders of our Funds, however, we felt compelled to voice our concerns.

The Current Framework Adequately Protects the Funds' Shareholders

While the independent trustees support the Commission's objective of protecting our Funds' shareholders against dilution, we believe that adopting the Proposed Amendments to the existing liquidity risk management framework are unnecessary and that imposing swing pricing

[1] The Board consists of seven persons, six independent trustees and one trustee who is an "interested person" by reason of his position as an officer and employee of the investment adviser to the series of the Trust.

[2] Proposed Rule on Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting, Fed. Reg. 77,172 (Dec. 16, 2022) ("proposing release").

and the related hard close will impose substantial costs, including fundamental changes in fund and intermediary processes, that far outweigh any incremental benefits.

In 2016, the SEC adopted Rule 22e-4 under the Act, which requires open-end funds (other than money market funds) to adopt and implement liquidity risk management programs and establishes a robust liquidity framework.[3] In 2018, the SEC adopted amendments that were designed to improve the reporting and disclosure of liquidity information by open-end funds.[4] Consistent with Rule 22e-4, the Trust has adopted and implemented a comprehensive liquidity risk management program, which includes, among other things, regular reporting to the Board. Our experience to date is that the liquidity risk management program has functioned as intended, and the Funds have in the past met, and continue to be able to, meet requests for redemption without significant dilution of remaining investors' interests in the Funds.[5]

The Proposed Amendment would mandate swing pricing for all mutual funds (other than excluded funds such as our U.S. Government Money Market Fund). This one-size-fits-all solution is inappropriate for our Funds, which are highly liquid and have not experienced significant dilution as a result of transactions. In addition, we understand there are accounting and transactional tools and techniques to address dilution issues which may be more appropriate depending on the circumstances.

With respect to the proposed required use of a "hard close" for shareholder transactions, we believe that a hard close is fundamentally unfair to shareholders as it would create inconsistent treatment of shareholders within funds, as shareholders may receive different prices based on whether they invest directly or through intermediaries. A significant portion of our Funds' shareholder base invests through intermediaries, including retirement plan investors and investors participating in fee-based programs of financial advisors, and the services and technology these intermediaries provide to our shareholders are valuable and desirable. These investors would be particularly negatively impacted since intermediary systems generally do not initiate batch processing until a fund's final NAV is received or until final NAVs are received for all funds offered on their platforms, and their investors likely would be unable to access same-day pricing. Investors expect a mutual fund to provide same-day pricing (consistent with Section 22 of the Act), and the Proposed Amendments confound these expectations. The Proposed Amendments also would subject investors who cannot receive same-day pricing to risk of loss, particularly during periods of market volatility.

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[3] *See* Investment Company Liquidity Risk Management Programs, 81 Fed. Reg. 82142 (Nov. 18, 2016) ("2016 Release").

[4] *See* Investment Company Liquidity Disclosure, SEC Release No. IC-33142 (June 28, 2018).

[5] We note that, although the U.S. Government Money Market Fund is not subject to Rule 22e-4, the Fund also has in the past met, and continues to be able to meet, requests for redemption without significant dilution of remaining investors' interests in the Fund. Furthermore, the independent trustees note that the Commission is considering similar swing pricing requirements for money market funds and, to the extent applicable, our comments here reflect our views with respect to that proposal as well. See Money Market Fund Reforms, Fed. Reg. 87 FR 7248 (Dec. 15, 2021).

To comply with the proposed hard close requirement, funds, fund service providers and intermediaries would need to make significant changes to their business practices, including updating their computer systems, altering their batch processes, or integrating new technologies that facilitate faster order submission (i.e., before 4 p.m. ET). Some intermediaries may be unwilling or unable to make the necessary changes, and even those that make the changes are likely to pass on the costs of such changes, which ultimately will be borne by fund shareholders.

In sum, we are concerned that in seeking to protect shareholders against dilution and related harms through the Proposed Amendments, the Commission is taking steps that could ultimately disadvantage shareholders and harm the mutual fund industry. We are concerned that the Proposed Amendments would entail significant costs that would be passed to mutual fund shareholders. Intermediaries may not be willing to work with mutual funds to accommodate the Proposed Amendments. Retirement and other intermediary platforms will be particularly impacted. Shareholders may be subject to increased market risk vis-à-vis other investment products. As a result, the mutual fund product may no longer serve many of its intended functions that investors seek and value, and mutual funds may no longer be viewed by investors as an attractive investment vehicle to help manage their investing needs.

Our views regarding the Proposed Amendments have been informed by industry articles, input from industry groups such as the Investment Company Institute (and Independent Directors Council), the Mutual Fund Directors Forum and discussions with the Adviser and our attorneys. We understand that these industry groups are submitting comment letters highlighting similar concerns, and we urge the Commission to seriously consider these comments and reassess and balance the need for such fundamental changes in light of the lack of clear evidence of significant dilution and the substantial negative impact the Proposed Amendments would have on fund shareholders, including our Funds' shareholders. The Funds' Adviser is supportive of these comments.

<u>If the Commission Moves Forward, it Should Re-Affirm the Board's Oversight Role</u>

In adopting Rule 22e-4, the Commission explicitly stated that the role of a board in overseeing the liquidity risk management framework is one of oversight, and that directors will exercise their reasonable business judgment in this oversight function.[6] If the Commission amends the current liquidity risk management framework, the Commission should be mindful of the board's oversight role, and not expand the role of directors in a manner that makes them responsible for making determinations about liquidity risk or swing pricing. We encourage the Commission to re-affirm that, in performing their oversight duties, the Commission believes that directors should continue to receive the protection of the business judgment rule. We further encourage the Commission to recognize that, subject to a board's oversight responsibilities, a board reasonably may rely on other parties, such as the fund's investment adviser, swing pricing administrator or other parties deemed appropriate by the board, without limitation, in fulfilling its responsibilities.

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6 See 2016 Release, 81 Fed. Reg. at 82,212.

In closing, and on behalf of the independent trustees of the Trust, I appreciate the opportunity to submit the foregoing comments.

Sincerely,

/s/ James R. Seward

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James R. Seward
Chairman of the Board
RBC Funds Trust

cc: SEC Commissioners and Staff
The Honorable Gary Gensler
The Honorable Jaime Lizarraga
The Honorable Caroline A. Crenshaw
The Honorable Hester M. Peirce
The Honorable Mark Uyeda
William A. Birdthistle, Director, Division of Investment Management

RBC Funds Trust Independent Trustees
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Michael P. O'Hare, Stradley Ronon (Independent Trustee Counsel)
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