Wells Fargo & Company
420 Montgomery Street
San Francisco, California

February 14, 2023

Submitted Electronically

Vanessa A. Countryman
Secretary
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 **(S7-26-22)**

Dear Ms. Countryman:

Wells Fargo Wealth and Investment Management (WIM), a division within Wells Fargo & Company ("Wells Fargo")[1], appreciates the opportunity to provide comments in response to the U.S. Securities and Exchange Commission's ("SEC" or "Commission") proposed Open-End Fund Liquidity Risk Management Programs and Swing Pricing reforms (the "Notice" or "Proposal"). Wells Fargo's comments focus on the negative consequences for intermediaries and investors if the SEC adopts the swing pricing requirements under SEC Rule 22c-1, as proposed. We encourage the Commission to engage in public dialogue with funds, intermediaries, service providers, investors, and other interested parties and to seek a less disruptive alternative approach to addressing open-end fund investor dilution.

I. Implementing swing pricing for open-end funds by requiring a "hard close" would significantly disrupt investor access to open-end funds.

The Commission's proposed swing pricing regime, notably the "hard close," would require intermediaries to make significant operational and technological changes related to open-end fund order processing. Based on current market and operational practices, the changes are likely to be so significant that they would limit investor access to open-end fund products. Under current SEC rules, an investor's open-end fund order that is submitted to an intermediary before pricing time (typically 4:00 p.m. ET), will be processed at the fund's net asset value (NAV) calculated on the same day. However, to implement the swing pricing provision, the SEC proposes a "hard close." Under a hard close, only orders received by certain "designated parties" (a fund, its transfer agent, or a registered clearing agency, but not an intermediary) by pricing time (4:00 p.m. ET) would be eligible for processing at that day's NAV.

[1] Wells Fargo (NYSE: WFC) is a leading financial services company that has approximately $1.9 trillion in assets. It proudly serves one in three U.S. households and more than 10% of small businesses in the U.S., and is a leading middle-market banking provider in the U.S. In the communities we serve, the company focuses its social impact on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. Wells Fargo Wealth & Investment Management (WIM) is a division within Wells Fargo & Company. WIM provides financial products and services through various bank and brokerage affiliates of Wells Fargo & Company. Wells Fargo submits this letter on behalf of Wells Fargo Clearing Services, LLC, Wells Fargo Advisors Financial Network, LLC, and Wells Fargo Bank, N.A..

Wells Fargo Clearing Services, LLC (WFCS), for example, accepts client fund orders throughout the trading day and orders received by 4:00 p.m. ET are eligible to be processed at that day's NAV. However, operational processes continue for hours after the final "batch" of customer orders is sent by WFCS to its third-party service providers, including vendors that perform order aggregation, sub-accounting, and other back-office functions, before ultimately being received by a fund company. Based on the operational processes WFCS (and other Wells Fargo affiliates) use today, the "hard close" would likely necessitate an earlier cut-off time for client orders. A cut-off time earlier than 4:00 p.m. ET would likely be required in order to price transactions at the NAV established on the day the order was submitted. For Wells Fargo, earlier cut-off times would impact orders submitted on behalf of nearly all account types, including orders submitted by self-directed investors, orders submitted by financial advisors on behalf of clients, and orders submitted by portfolio managers on behalf of trust accounts.

Intermediaries may need to establish for their customers a 2:00 p.m. ET trade cut-off time, for example, to have enough time to process investor orders and to ensure orders are received by a "designated party" by the pricing time established by the fund (e.g., 4:00 p.m. ET). If an investor submits a "late" order after a cut-off time established by an intermediary (but before the pricing time established by the fund) the investor will not receive that day's price but will instead receive the price calculated by the fund on the following business day. This potential for delayed pricing, including pricing subject to a swing factor, will likely reduce the attractiveness to investors of open-end funds subject to these rules, especially because other fund types that offer immediate pricing are widely available to investors through intermediaries, including Wells Fargo. We anticipate our clients would be especially concerned with receiving the following day's NAV when markets are volatile and they've placed an order after an early cut-off time, but during normal market hours.

The SEC acknowledges that earlier cut-off times may be established by intermediaries and these restrictions may result in a "significant change" for when investors must submit orders. The Proposal suggests that long-term fund investors may not be concerned with knowing the prices of their purchases and sales on the same day they place an order. The Proposal also suggests that an investor could avoid an earlier cut-off time by investing through a transfer agent to retain the ability to place orders until just before the time when the NAV is calculated. First, we do not agree that investors, including long-term investors, are time insensitive when it comes to pricing. Delays in pricing will be a source of confusion for investors who are accustomed to same-day pricing. Second, while investors could invest directly with a transfer agent, investors overwhelmingly do not choose to invest through transfer agents today because intermediaries offer access to a wide variety of services and products in support of holistic, cross-product investment and financial planning goals that investors value.

II. Conclusion.

As stated above, we encourage the SEC to pursue a less disruptive alternative to address investor dilution in open-end funds. We are concerned that the "swing pricing" regime, as proposed, is incompatible with how intermediaries process open-end fund orders and with open-end fund investor preferences. We appreciate the opportunity to share our feedback on the Notice. If you would like to discuss this issue further or need additional information, please contact John Vahey, Wells Fargo Public Policy, at [redacted].

Sincerely,

Nyron Latif
Head of Operations
Wells Fargo Wealth and Investment Management