March 14, 2023

VIA ELECTRONIC SUBMISSION

Ms. Vanessa Countryman Secretary
Securities and Exchange Commission 100
F Street, NE
Washington, D.C. 20549

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

Dear Ms. Countryman,

The Independent Trustees of World Funds Trust[1] write to express concern over the Securities and Exchange Commission's ("SEC") proposed rule on open-end fund liquidity risk management, swing pricing and hard close (the "Proposed Rule").[2] If adopted, we believe the Proposed Rule will result in significant implementation/operational costs and issues that may harm the competitiveness of mutual funds and make them a less attractive offering in the marketplace while providing minimal benefits. In particular, the high operational costs to funds will significantly disadvantage smaller funds' shareholders and increase expense ratios for shareholders.

As independent trustees, we typically do not submit comments on regulatory proposals. However, given the potentially significant negative consequences we believe the Proposed Rule will have on our funds' shareholders, we write to express our concerns. In the discussion that follows, and after receiving feedback from, among others, our fund's service providers, we express our concerns regarding the Proposed Rule generally and the liquidity rule amendments, the swing pricing provision and hard close aspects, more specifically.

The independent trustees support the SEC's underlying goals of protecting fund shareholders against excessive dilutive costs to remaining shareholders when an open-end fund must sell assets to meet unusually large shareholder redemption requests and manage the fund's liquidity during stressed market conditions. However, we believe the Proposed Rule's amendments to the existing liquidity risk management framework are unnecessary. Imposing swing pricing and the hard close will impose fundamental changes in fund and intermediary processes, resulting in substantial costs that far outweigh any incremental benefits.

We generally agree with the positions articulated in the comment letter dated February 14, 2023, submitted by the Independent Directors Council to the SEC. We strongly support the points made in that comment letter regarding the Proposed Rule.

[1] The World Funds Trust consists of 20 separate open-end funds having 10 separate investment managers or sponsors and with approximately $2.1 billion in assets under management as of December 31, 2022.

[2] *Open End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting*, 87 Fed. Reg. 77172 (December 16, 2022), available at https://www.govinfo.gov/content/pkg/FR-2022-12-16/pdf/2022-24376.pdf.

In addition, we emphasize the following more specific points that would be particularly burdensome to smaller mutual fund complexes, such as the funds that comprise World Funds Trust.

Liquidity Rule

In 2016, the Commission adopted Rule 22e-4 under the Act (the "Liquidity Rule") which requires open-end funds to adopt and implement extensive liquidity risk management programs and establish a liquidity framework.[3] In 2018, the Commission adopted amendments designed to improve open-end funds' reporting and disclosure of liquidity information.[4]

The Proposed Rule's one-size-fits-all solution is inappropriate to our funds, which are liquid, have not experienced significant dilution stemming from shareholder transactions and have an established track record of meeting shareholder redemptions through a variety of market conditions. Requiring smaller funds to implement daily bucketing in their liquidity classifications and eliminating asset class classifications would result in significant additional costs to those funds and their shareholders with little corresponding benefit. The Proposed Rule's requirements would likely necessitate the engagement of an additional vendor. In the case of a smaller fund complex, the increased cost of engaging such a vendor, would be spread over a relatively small asset base resulting in an adverse impact on fund shareholders.

Consistent with the Liquidity Rule, the Funds have adopted and implemented a comprehensive liquidity risk management program and framework, including regular reporting to the Board. Our experience is that the liquidity risk management program has functioned as intended. Absent any data or analysis from the SEC demonstrating that dilution of remaining investors' interests in funds is a significant problem it is difficult to understand why additional rulemaking in this area is warranted.

Swing Pricing

The proposal to mandate swing pricing would impose substantial costs on funds regardless of the probability of the material dilution the Proposed Rule seeks to avoid. As trustees of a smaller fund family, we are particularly concerned about the costs and competitive disadvantages likely to result if the SEC's Proposed Rule is adopted. Additionally, it may be burdensome for fund service providers to incur the expenses necessary to implement system upgrades or changes to facilitate the required calculations, which will inevitably be passed on to the funds and borne by their shareholders.

The proposal will also have a significant impact on daily fund operations. Funds and their service providers already dedicate substantial resources on a daily basis to monitoring and evaluating the pricing process, including price verifications, price challenges, back-testing, fair valuations, etc. Adding the additional complexity to the NAV calculation of evaluating the potential impact of shareholder activity will have a significant effect by compressing the time for the day's normal activities and creating an entirely new area of potential error.

Moreover, smaller funds will likely need to engage service providers to assist them in quantifying the historical trading costs, including market impact, to apply an estimated swing pricing factor adjustment. Fund shareholders would bear those impacts, placing smaller fund complexes at a significant competitive disadvantage and potentially serving as a competitive barrier, effectively making it more cost-prohibitive for new entrants in the fund marketplace. The cost of compliance coupled with

[3] *See* Investment Company Liquidity Risk Management Programs, SEC Release No. IC-32315 (Nov. 18, 2016).
[4] *See* Investment Company Liquidity Disclosure, SEC Release No. IC-33142 (June 28, 2018).

increased compliance costs for other recent rules (including the existing liquidity risk management rule, the new fair valuation rule and the new derivatives rule) have already adversely impacted shareholder expenses for many funds, their advisers or sponsors, particularly for smaller funds.

Absent any analysis from the SEC demonstrating a dilution problem, the costs and unintended consequences of upending the long-serving and industry-wide fund/intermediary distribution system in the U.S. make it difficult to argue that investors in open-end funds would want swing pricing's trade-offs and costs. In particular, when a number of other tools already are available to address liquidity or dilution concerns, including obtaining larger trade notifications from institutional investors, redemptions in kind, redemption fees, inter-fund lending, or credit facilities.

The costs, resources and complexity of implementing mandatory swing pricing would be highly burdensome on smaller fund companies. In particular, some funds offered through smaller intermediaries will be unable to bear or pass on the significant costs associated with implementing the Proposed Rule.

Hard Close

The "hard-close" requirement would require fundamental changes to industry-wide standard practices concerning the delivery of shareholder transaction orders and upend decades of standard mutual fund operations, especially the operations of broker-dealers and retirement plan recordkeepers, i.e., fund intermediaries. To implement swing pricing, the SEC has proposed requiring that all purchase or redemption orders be received by a fund by 4:00 p.m. Eastern time ("ET"). Under this proposal, intermediaries will have to either establish earlier cut-off times for their customer trades to submit aggregated orders to a fund by 4:00 p.m. ET or all orders received by the fund after 4:00 p.m. ET will receive the next business day's net asset value—even if shareholders submitted their order to their respective intermediaries prior to 4:00 p.m. ET.

Furthermore, to comply, fund service providers and intermediaries must make significant changes to their business practices and technology systems to facilitate earlier order submission. Some intermediaries may be unable or unwilling to make the necessary changes. Those making the changes will likely pass on the costs of such changes, which ultimately will be borne by fund shareholders, directly or indirectly. These increased costs will adversely affect the returns that retail investors earn through their open-end fund investments. They will be especially harmful to investors in smaller funds, such as those we oversee, which have to spread such increased costs over a smaller asset base.

A hard close is fundamentally unfair to shareholders. It would create inconsistent treatment of purchasing and redeeming shareholders, as shareholders may receive different prices depending solely on the intermediary through which they invest. An earlier cutoff for a subset of shareholders transacting through a particular intermediary may unfairly disadvantage (and treat differently) those shareholders who will not benefit from market information arising after their intermediary's earlier cutoff but before 4:00 p.m. ET. The disadvantage to shareholders outside the Eastern time zones is even more pronounced.

Conclusion

In closing, we appreciate that the SEC is attempting to protect shareholders. However, we are concerned the Rule Proposal will hurt shareholders by imposing additional costs on them without meaningful benefits. In particular, the Rule Proposal puts smaller fund groups that primarily sell through intermediaries, at a marked competitive disadvantage. We are concerned the Proposed Rule will ultimately result in fewer investment options for investors and an increased concentration of larger fund complexes and larger intermediaries within the registered investment company industry.

We believe that the existing rules, policies and procedures, and decades of experience in actively managed portfolio management, within the current regulatory and oversight environment, are sufficient to address funds' liquidity and dilution matters. We encourage the SEC to withdraw the Rule Proposal, take more time to collect and analyze adequate data, and demonstrate that a significant problem exists to justify such disruption to the existing fund operational framework as contemplated by the Rule Proposal.

/s/
Mary Lou H. Ivey, Chairman of the Board
and Independent Trustee

/s/
David J. Urban, Independent Trustee

/s/
Theo H. Pitt, Jr., Independent Trustee

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