sifma

asset management group

April 12, 2021

Sarah G. ten Siethoff
Acting Division Director and the Associate Director for the Rulemaking Office,
Division of Investment Management
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Rule 17a-7 Rulemaking

Dear Sarah,

The Asset Management Group ("AMG") of the Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to provide recommendations to the United States Securities and Exchange Commission (the "Commission") on potential rulemaking related to Rule 17a-7 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), that would seek to modernize and streamline the application of Rule 17a-7, in particular as it relates to cross trades of fixed income securities.

We previously discussed with the staff of the Commission the possibility of temporary relief with respect to new Rule 2a-5 under the Investment Company Act, which addresses valuation practices and the role of the board of directors with respect to the fair value of the investments of a registered investment company (a "fund").[2] The requested relief would have allowed current cross trade practices relating to fixed income securities to continue following the September 8, 2022 compliance date for Rule 2a-5, notwithstanding the new definition of "readily available" market quotations. Since those discussions, the staff issued a

[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.

[2] *See* Letter to Mr. Fields re: "Request for No-Action Relief under Rule 17a-7 under the Investment Company Act of 1940" (draft dated Feb. 3, 2021); FAQ – Rule 2a-5 Definition of "Readily Available Market Quotation" as Applied to Rule 17a-7 (draft dated Feb. 3, 2021).

[redacted]

Statement (the "Statement") concerning fund trades made in reliance on Rule 17a-7 and soliciting feedback on ways to enhance fund cross trading regulation.[3] We are now writing to respond to the Statement and to offer our recommendations on how best to modernize Rule 17a-7 to reflect current fixed income markets and transaction practices.[4] We urge the Commission to act favorably on our recommendations and would welcome the opportunity to discuss this with you further.

Part I. Benefits of Cross Trades and Current Practices

Cross trades provide significant benefits to funds and their shareholders by allowing funds that are mutually interested in a securities transaction that is consistent with the investment strategies of each fund to trade with significantly lower (often zero) transaction costs, thus benefiting shareholders.[5] Cross trading also enhances a fund's ability to complete a purchase or sale transaction that is determined to be in the fund's best interest. An adviser, for a number of reasons, may find that it is necessary or desirable to reduce one fund's holding of a particular security and at the same time increase another fund's holding of that security. These transactions may be necessary or advisable due to shareholder redemptions (from the selling fund) and subscriptions (into the purchasing fund), but may also be motivated by, among other reasons, the need to keep a fund in compliance with its investment restrictions or asset allocation requirements, changes in the market value, credit quality, or duration of a particular holding, or changes in the composition of an index that a fund is tracking. However, if fixed income securities are sold by one fund on the open market, there is no assurance that those securities will be available to another fund seeking to buy them.[6] Cross trading can address these security availability issues.

Cross trading can also be a useful and important liquidity risk management tool for funds. If a fund must sell portfolio investments to meet redemption requests, cross trading may provide a liquidity benefit (i.e., a higher sale price and same-day execution) to the selling fund and its shareholders, while allowing the buying

[3] Staff Statement on Investment Company Cross Trading (March 11, 2021).

[4] The Statement identifies four areas where feedback would be particularly helpful: (1) current cross trading practices, (2) securities eligible to cross trade: pricing and liquidity, (3) controls, and (4) market transparency. We address each of these topics in this letter.

[5] In the adopting release for Rule 17a-7, the Commission noted that the interests of investors would be served by Rule 17a-7 in that it permits affiliated funds to "avoid the payment of brokerage by effecting such transaction with each other" as opposed to "purchasing or selling securities on the open market, thereby incurring duplicate brokerage charges." Release No. IC-4697, Adoption of Rule 17a-7 to Provide an Exemption from the Provisions of Section 17(a) of the Investment Company Act of 1940 (Sept. 8, 1966). *See also*, Release No. IC-32315, Investment Company Liquidity Risk Management Programs (Oct. 13, 2016) [hereinafter "Liquidity Rule Release"]. In the fixed income markets, the transaction costs are typically incurred in the form of a bid-ask spread.

[6] *See* United Municipal Bond Fund (pub. avail. July 30, 1992). This is a feature of dealer markets, and is generally speaking not an issue with respect to exchange-traded securities.

We note further that, in some cases, a buying fund that is affiliated with the selling fund may not, for a period of time, compete in the open market to purchase securities sold by the selling fund, to avoid participating accidentally in a transaction that may be construed as an intermediated, or indirect, cross trade.

fund to purchase securities it might otherwise be unable to obtain, and at a lower purchase price.[7] Benefits can also inure to funds and their shareholders because cross trades are conducted privately between funds, and are therefore unlikely to generate unnecessary market impact prior to the trade.[8] Because the funds need not express market interest in buying or selling a particular security, the pending transaction is not impacted by the imposition of a dealer with its own economic incentives, and both the buying and selling funds receive better pricing on the trade. Assuming the cross trade is executed at the mid-point of the bids and offers (the "mid-point"), cross trading permits better pricing than what funds would receive in the market, as both funds are transacting inside the bid-ask spread, reducing their transaction costs relative to trading with a dealer. In addition, cross trades promote efficiencies by avoiding the uncertainties of identifying counterparties and/or breaking down or assembling blocks of securities for transactions. The ability to engage in a cross trade eliminates the inefficiencies, administrative costs, and time involved in finding an appropriate counterparty, breaking up a block of securities in order for them to be absorbed by the market, and (re)assembling the same or a similar block for another client account.

Rule 17a-7 requires that a cross trade be executed at the "independent current market price" of the security, which is defined in relevant part (for the fixed income markets) as "the average of the highest current independent bid and lowest current independent offer determined on the basis of reasonable inquiry." Currently, funds engaging in cross trades of fixed income securities under Rule 17a-7 generally price the transactions at the mid-point and, pursuant to no-action relief from the staff,[9] may also use prices provided by independent pricing services to price municipal securities for which market quotations are not readily available. However, the pricing requirements of the Rule have precluded fund complexes, in certain instances, from entering into cross-trades (particularly for fixed income investments) that would be mutually beneficial.[10] In particular, obtaining bids and offers for certain fixed income securities has become difficult, if not impossible, for funds due to a reduced willingness on the part of dealers to provide such market pricing information.[11] As a result, advisers are placed in the position of having to forego transactions that they believe would be in the best interests of a fund and its shareholders and instead are forced to engage in less favorable transactions which increase the cost to a fund and its shareholders. We believe

[7] The staff noted, in Federated Municipal Funds (pub. avail. Nov. 20, 2006), that cross trades could result in the most favorable total proceeds to the selling fund and the most favorable total cost to the buying fund. Of course, as the staff also noted, the cross trade must be in the best interest of both the buying and selling fund and consistent with the adviser's duty to seek best execution for each fund and the adviser's duty of loyalty to each fund.

[8] *See, e.g.*, Liquidity Rule Release, *supra* note 5, p. 243.

[9] *See* United Municipal Bond Fund (pub. avail. July 30, 1992) and (pub. avail. Jan. 27, 1995) and Federated Municipal Funds (pub. avail. Nov. 20, 2006).

[10] *See* Comment Letter of the Investment Company Institute (Jul. 16, 2020), available at https://www.sec.gov/comments/s7-07-20/s70720-7433367-220249.pdf.

[11] *See* Fixed Income Market Structure Advisory Committee, U.S. Securities and Exchange Commission, "Recommendation Regarding Modernizing Rule 17a-7 under the 1940 Act" (June 1, 2020) [hereinafter FIMSAC Recommendation]. We also commented on this in our previous letters (*see*, letter to Mr. Cellupica re: "Clarification of no-action relief under Rule 17a-7" (March 29, 2019); letter to Mr. Cellupica re: "Potential Amendments to Rule 17a-7" (Jan. 21, 2020)).

that these situations have become more common in recent years, as market developments have permitted advisers to identify a broader range of investment opportunities for the funds they manage. In addition, as a result of the new definition of "readily available" market quotations contained in Rule 2a-5, there will be further restrictions and many cross trades that could formerly have been effected in reliance on Rule 17a-7 may no longer be permitted if the instruments are deemed not to have readily available market quotations under Rule 2a-5. We strongly support the Commission's efforts to modernize Rule 17a-7 so that it remains relevant in today's markets and continues to provide benefits to funds and their retail shareholders.

Part II. Recommendations for Modernizing Rule 17a-7

A. Principles-Based Framework

We urge the Commission to approach cross trade regulation with a framework similar to that which it has used recently to regulate liquidity, derivatives, and fair valuation with respect to funds. Significantly, those new rules included a broad, principles-based foundational framework that allowed funds to identify risks, create their own tailored programs aimed at mitigating those risks, and report to the board. The Commission did not seek to establish a single, prescribed approach for all funds or to create a rule that would act as a safe harbor if followed. In adopting Rule 2a-5, for example, the Commission declined to establish a single approach to making fair valuation determinations, but rather endorsed a principles-based framework for fund complexes to use in creating their own specific processes for making determinations.[12] The Commission found this approach to reflect an appropriate balance between baseline standards and flexibility in the process of implementation.[13] We believe the Commission should take a similar approach in amending Rule 17a-7, and allow funds to develop their own internal, risk-based compliance programs for cross trades. This would effectively permit funds to tailor their cross trade risk management programs to the particular unique needs of a fund.[14] More specifically, we believe that the ability of funds to use the mid-point and other independent pricing sources for cross trade pricing, with the appropriate overlay of a risk management framework that includes elements of both pre-trade and post-trade oversight, and price quality, as well as reporting to the fund's board, would be in the best interest of shareholders and alleviate the policy concerns underlying Section 17(a) of the Investment Company Act and Rule 17a-7 thereunder.

We believe that the recommendations of the Fixed Income Market Structure Advisory Committee (FIMSAC)[15] are constructive and provide a good starting point for modernizing Rule 17a-7, and we generally support them. However, there are some modifications to the FIMSAC recommendations that we

[12] Release No. IC-34128, Good Faith Determinations of Fair Value, p. 11 (Dec. 3, 2020).

[13] *See id.*

[14] This consideration was highlighted by commenters on the proposed derivatives rule and cited by the Commission in the rule's adopting release. *See* Release No. IC-34084, Use of Derivatives by Registered Investment Companies and Business Development Companies, p. 48 (Nov. 2, 2020).

[15] *See* FIMSAC Recommendation, *supra* note 11.

believe are advisable, as set forth in more detail below. We believe that the FIMSAC recommendations, as modified by this letter, including the adoption by funds of cross trade risk management programs, would appropriately modernize Rule 17a-7 and provide significant benefits to fund investors, while ensuring fair pricing of cross trades and managing conflict of interests risks.

As a result of the challenges faced by fixed income funds seeking to cross trade under Rule 17a-7, investors in these funds (i.e., the retail public) do not obtain the benefits associated with cross trades to the same extent as investors in other types of pooled investment vehicles that are able to take advantage of cross trades more broadly, such as funds that invest in equities or investment vehicles that are subject to different regulatory regimes (e.g., UCITS). To afford investors in fixed income funds the same cross trading benefits as other investors, FIMSAC made two main recommendations: that the Commission (1) "make it clear that custodial fees of electronic trading platforms or dealers can be paid in connection with effecting cross trades involving funds" and (2) "allow other methods of ensuring that a fair price is obtained in cross trades involving fixed income securities (beyond obtaining multiple bids and offers)." We offer general support for each of these recommendations below, with additional observations and justifications.

B. Payment of Fees

Rule 17a-7 currently provides that no brokerage commission, fee, or other remuneration may be paid in connection with a cross trade, except for "customary transfer fees." There is no definition of "customary transfer fee." Like FIMSAC, we support revisions to Rule 17a-7 that would permit funds to pay custodial fees and fees to electronic trading platforms or dealers in connection with effecting cross trades. This is critical, given that market developments and realities mean that, in some cases, the involvement of a dealer and the imposition of transaction-related costs is unavoidable. For example, it may be infeasible for an adviser to effect cross trades between clients that are affiliated, but which use different custodians, without a dealer, which will require a fee for its services. Furthermore, in Europe, it is market practice for cross trades to be conducted through a dealer (as opposed to internally) and, in some markets, a dealer must be used for all trades.[16] In addition, certain trades must clear through an exchange, and, in some non-U.S. jurisdictions, minimum brokerage commissions are required.[17]

We recommend that the prohibition on brokerage commissions, fees, or other remuneration be eliminated from Rule 17a-7. This reform would allow advisers to cross trade a wide range of securities that now are ineligible for cross trading under Rule 17a-7. The reform is necessary because dealers are often required to effect cross trades, and often charge an asset-based transaction fee (which may resemble a commission)

[16] For example, we understand that India and Brazil require that all trades cross the market and therefore must use a broker.

[17] For example, we understand that all trades in Malaysia are subject to a minimum brokerage commission pursuant to a 2006 Bursa Malaysia Rule Amendment. For certain types of trades, participants must pay a prescribed rate while for other types of trades the commission is fully negotiable. Similarly, we understand that, in the Philippines, Presidential Decree 154 requires a minimum brokerage commission. Brokers are required to file with the country's securities regulator a schedule listing their minimum commission charges and are prohibited from offering rebates or discounts from the stated minimum rates.

to execute trades and are reluctant to execute trades for any other type of fee or for no fee at all. We believe that a fund should be permitted to pay any fee so long as it is appropriate to the service being offered. Custodial fees and fees paid to electronic trading platforms or dealers in connection with effecting cross trades can reasonably be expected to encompass administrative burdens, market risk factors, and other considerations. Even with these fees, the cross trading funds would be better off than they would be if they separately transacted in the market. We note that a fund's internal, risk-based compliance program for cross trades should take into consideration the types of fees that a fund may pay in connection with cross trades.[18] The compliance program should identify risks based on the types of fees involved and contain controls and procedures designed to mitigate those specific risks.

C. Pricing

The focus of Rule 17a-7 should be on establishing that cross trades are effected at appropriate, independent prices that are consistent with the market. Like FIMSAC, we encourage the Commission to revise Rule 17a-7 to allow funds to use sources other than the "independent current market price," as that term is currently defined in Rule 17a-7, to obtain a fair price for cross trades involving fixed income securities. In particular, we agree that each of (1) an independent pricing source and (2) an electronic trading platform can separately meet the "independent current market price" standard and that either method should be permitted, with the safeguards discussed below, to establish the price for a cross trade.

Notwithstanding these proposed enhancements, we believe that funds should still be permitted to price cross trades based on the mid-point of bids and offers.[19] As noted above, when cross trades are executed at the mid-point, the price to both participating funds would be better than the price that would be received in the market. The use of the mid-point for cross trades also functions inherently as an independent check on the fairness of the price of the trade, as it ensures the securities are not trading at a price away from market, and would allow funds to process cross trades at current prices at the time such trades become available. Furthermore, effecting cross trades in non-U.S. markets that require the use of a broker may involve the broker executing the trade at a price based on local regulatory requirements rather than Rule 17a-7's pricing methodology. In many of these markets, brokers customarily use the mid-point price. We recommend that a fund's internal, risk-based compliance program for cross trades should address the use of the mid-point of bids and offers, identify the risks relating to this pricing mechanism, and contain controls and procedures designed to mitigate those specific risks.[20]

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[18] The compliance program should take into account the amounts of fees incurred in effecting a cross trade relative to the bid-ask spread that each participating fund would bear if it transacted separately in the market.

[19] Independent pricing services can provide mid-point prices.

[20] Safeguards could include, for example, establishing specific criteria for determining whether market quotations are current and readily available (and including potential back-up sources if the primary sources are not available), assessing the quality of quotations provided by dealers (including whether they are "actionable" or "accommodation" quotes and considering how active the dealer is in the relevant market), and/or subjecting less liquid assets to careful (or potentially heightened) review before engaging in a cross trade, although we do not believe the relative illiquidity of an asset itself should be determinative of whether the asset is

1. Independent Pricing Source

i. General

While we believe that advisers should be permitted to use independent pricing sources, like FIMSAC, we note that the use of an independent pricing source to establish the price of a cross trade would not be a safe harbor. An adviser would still have its duty to achieve best execution for its clients. Furthermore, we agree that advisers have a responsibility to supervise and validate independent pricing sources. We believe that this supervision and validation should include obligations relating to pre- and post-trade controls.

We agree with FIMSAC's recommendations that an adviser may use any independent price source as a price input for cross trades, including independent pricing vendors, regulatory trade reports (such as TRACE or EMMA), aggregated dealer runs, and electronic trading venue data services. We also agree with FIMSAC's recommendation of an "independent price source plus" approach, in which an adviser must validate the price by reference to another pricing input within a reasonable tolerance before effecting a cross trade, although we believe that there may be other methods of price validation that would be appropriate within an adviser's tailored, risk-based compliance program. This "audit" of the independent price is a key element of an adviser's pre-trade controls.

ii. Securities Eligible to Cross Trade: Pricing and Liquidity

We would not categorically limit the types of fixed income securities that would be eligible for cross trades under Rule 17a-7.[21] As trading technology and practices continue to evolve, we anticipate that high quality independent prices will become available for an increasing range of investments.

We do not agree with FIMSAC's recommendations that, generally, cross trade eligibility should be defined by reference to U.S. generally accepted accounting principles (GAAP) or, more specifically, that cross trades be limited to securities that are "level 1" or "level 2" assets under U.S. GAAP. Advisers should conduct a broader analysis of the inputs used to value a security in determining whether it is appropriate to cross trade the security. We believe that pre-trade and post-trade oversight mechanisms would help to ensure that the price provided by an independent pricing source is a fair price for the cross trade, even in the case of a security that is priced only on the basis of unobservable inputs. Inputs that are unobservable may include inputs obtained from broker quotes that are indicative or not corroborated with market transactions, an investment adviser's own assumptions or models that cannot be corroborated with observable market data, and vendor-provided prices that are not corroborated by market transactions. We recommend that securities that are valued based on these types of inputs be eligible for cross trades,

eligible for a cross trade at the mid-point price. *See* Liquidity Rule Release, *supra* note 5, p. 246 ("We agree that an assessment of an asset's liquidity, without more, would not determine whether the asset is eligible for a cross-trade transaction under rule 17a-7.").

[21] We note that Variable Rate Demand Notes (VRDNs) should be permitted to cross trade at par, as there is no price discovery risk with respect to these instruments.

provided that the price for the security is supplied by an independent pricing source, and verified within an adviser's tailored, risk-based compliance program (which can include another price source), and is not determined solely by the adviser.

iii. Controls

As discussed above, we believe that the adoption by funds of internal risk management programs to govern cross trading practices, based on a broad, principles-based foundational framework, would address the policy concerns underlying Section 17(a) and Rule 17a-7. We are also supportive of the FIMSAC recommendations that any such cross trade procedures include post-trade oversight, board of directors' oversight,[22] and policies and procedures for independent pricing sources. Attached as *Appendix A* to this letter, please find other examples of controls that may be appropriate for some advisers.[23] However, it is important to note that any such policies and controls must be customized to each adviser's organization and operations. The controls identified on *Appendix A* are some of the practices employed by different advisers, and are not meant to suggest that a single advisory firm would need, or could implement, all of those policies and controls or that any single firm does implement all of those policies and controls; they are only examples, and are not meant to be representative of best practices or a necessary industry standard. They may be tailored to specific asset classes, based on the adviser's risk assessment. We urge you to consider the FIMSAC examples in the same spirit and afford individual funds the flexibility to tailor their cross trade risk management programs to their particular needs.

A fund's internal, risk-based compliance program for cross trades should address the types of pricing sources that a fund may use, identify the risks relating to those pricing sources, and contain controls and procedures designed to mitigate those specific risks.

iv. Market Transparency

Finally, while we believe that post-trade reporting to the Commission is important (in monitoring for conflicts of interest and price quality), we do not think that an adviser should be required to report each cross trade to TRACE or any other trade reporting system or to report each cross trade on a real-time basis. Advisers are not currently connected to TRACE (it is a broker-dealer system) and would have to engage in additional work and incur substantial technology costs in order to connect to the system. We do not believe that this additional time and expense is merited, or that it is appropriate to provide that level of real-time, public detail of cross trades. Although there is a general public policy interest in real-time transaction price

[22] We note that some of the Board of Directors Oversight functions described by FIMSAC are currently often performed by the fund's CCO in reliance on a no-action letter from the staff of the Commission to the Independent Directors Council (pub. avail. Oct. 12, 2018).

[23] We offered similar examples of controls in our October 1, 2019 letter to Paul Cellupica, Deputy Director and Chief Counsel, Division of Investment Management. *See* Letter to Mr. Cellupica re: "Response to staff inquiries concerning no action relief under Rule 17a-7" (Oct. 1, 2019).

transparency, cross trades are not intended to be exercises in price discovery. Cross trades rely on information from the market to price; they should not function to provide information to the market about price. In addition, as discussed above, a fund and its shareholders receive a benefit in the form of more favorable pricing on a security by not revealing the fund's intent to cross trade to the market. Accordingly, we do not believe that it would be beneficial to provide real-time cross trade prices to the market. As an alternative to the FIMSAC proposal, we recommend that advisers be required to report internal cross trades after the fact, to the Commission only, on a form such as Form N-CEN. This would allow the Commission to have full post-trade visibility and oversight of cross trades, without the need for burdensome technology work or unnecessary real-time disclosure of cross trade pricing.

2. Electronic Trading Platforms

i. General

We believe that electronic trading platforms have developed functionality that allows them to achieve fair pricing of cross trades and, therefore, should be viewed as meeting the "independent current market price" standard set forth in Rule 17a-7. Like FIMSAC, we note that an adviser's use of an electronic trading platform to establish the price of a cross trade would be subject to the adviser's best execution and oversight obligations. We believe that this oversight function should include price quality controls as previously discussed.

ii. Controls

As FIMSAC noted, an adviser could implement technological safeguards in connection with its use of electronic trading platforms that would allow cross trades to be effected only if certain criteria were met. We agree with this recommendation and submit that this would provide an important layer of pre-trade control. More broadly, a fund's internal, risk-based compliance program for cross trades should take into consideration any use of electronic trading platforms for cross trades, and should identify related risks and contain controls and procedures designed to mitigate those specific risks. We are supportive of the FIMSAC recommendations that advisers and funds adopt policies and procedures for the selection and use of electronic trading platforms, including: systematic evaluation of the platforms to ensure best execution; adoption of Rule 17a-7 policies and procedures; review of the platforms to ensure they meet independence and oversight standards; and analysis of funds' transaction costs and proceeds in light of the services being provided by the platforms. We think that this supervision and validation would effectively promote appropriate use of electronic trading platforms in connection with fund cross trades.

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SIFMA AMG sincerely appreciates your consideration of our request and welcomes the opportunity to discuss this with you further at a time of convenience for you and your staff. Please do not hesitate to reach out to either of us with any questions or to schedule a meeting with our members. Tim Cameron can be

reached at [redacted] or [redacted] and Lindsey Keljo can be reached at [redacted] or [redacted]

Sincerely,

Timothy W. Cameron, Esq.
Asset Management Group – Head
Securities Industry and Financial Markets Association

Lindsey Weber Keljo, Esq.
Asset Management Group – Managing Director and Associate General Counsel
Securities Industry and Financial Markets Association

Appendix A

1. Internal Policies and Procedures
    a. Cross Trading / Rule 17a-7 Policies and Procedures
        i. Cross Trading / Rule 17a-7 policies and procedures must be consistent with other regulatory requirements, including best execution, valuation, liquidity, and recordkeeping policies and procedures.
        ii. Cross Trading / Rule 17a-7 policies and procedures must establish and implement a risk-based framework for engaging in cross trades.

2. Training
    a. Require portfolio management, trading, and those in relevant support functions to complete mandatory compliance trainings, which include cross trading and pricing issues.

3. Internal Cross Trade Monitoring and Surveillance
    a. Designed and implemented to monitor for potential dumping or parking of securities through cross trades.
    b. Suspected Cross Trade Surveillance
        i. Intra-day surveillance
            1. Order management system flags trades for review to confirm compliance with cross trading policies.
        ii. Surveillance of securities sold by one fund and purchased by another fund
            1. Daily queries (run overnight)
                a. Identify securities traded on a round trip basis over an appropriate rolling period to confirm compliance with existing policies.
                b. Identify securities traded on a round trip basis with same broker including use of algos and dark pools over a rolling period appropriate to the relevant security and its trading markets to confirm compliance with existing policies.
    c. Cross Trade Monitoring and Reviews
        i. Periodic reviews by compliance of cross trades and associated documentation (may consider security type, number of shares/bonds, pricing of cross relative to market, and explanation/justification by selling and purchasing account).
        ii. Review of cross trade pricing and execution, which may be based on specified price tolerances (day over day price change) or comparisons to independent pricing sources, such as those used for NAV purposes.

4. Individual Certifications
    a. CCO or other designated compliance personnel provide a written certification (based on their knowledge) on cross trades, including representations that the trade had been in compliance with the fund's procedures.