

**MEMO# 31194**

May 3, 2018

## **ICI Draft Comment Letter on SEC's Liquidity Disclosure Proposal; Comments Due to ICI by May 11**

[31194]

May 3, 2018 TO: Accounting/Treasurers Committee

Chief Compliance Officer Committee

Chief Risk Officer Committee

Compliance Advisory Committee

ETF (Exchange-Traded Funds) Committee

ETF Advisory Committee

Fixed-Income Advisory Committee

Investment Advisers Committee

Municipal Securities Advisory Committee

Operations Committee

SEC Rules Committee

Small Funds Committee

Variable Insurance Products Advisory Committee RE: ICI Draft Comment Letter on SEC's  
Liquidity Disclosure Proposal; Comments Due to ICI by May 11

In March, the SEC voted in favor of proposing amendments to open-end funds' liquidity-related disclosures.<sup>[1]</sup> Most notably, the proposed amendments to Form N-PORT would eliminate the reporting of aggregated liquidity classification (or bucketing) information. This means that, if adopted, funds would not have to report any bucketing information to the public. Rather, funds would be required, in their annual reports to shareholders, to discuss the operation and effectiveness of their liquidity risk management programs during their most recently completed fiscal years.

ICI's draft comment letter is attached. **Please provide any comments you may have to Matt Thornton ([matt.thornton@ici.org](mailto:matt.thornton@ici.org); 202-371-5406) by Friday, May 11, COB.** Comments are due to the SEC by May 18.

The draft letter broadly supports each element of the SEC's proposal. In it, we maintain that the proposed amendments would improve the disclosure that investors receive about fund liquidity. The proposed annual report disclosure would require funds to provide investors with narrative and period-specific liquidity disclosure in a way that is understandable and useful (here, we offer a couple constructive comments to improve this

part of the proposal, including exemptions for “primarily highly liquid funds” and In-Kind ETFs)). In contrast to the proposed narrative disclosure, the aggregated bucketing information that it would replace is derived from complex, subjective, and divergent methodologies, and the resulting output is inherently forward-looking and hypothetical. Because of its nature, this bucketing information risks confusing and misleading investors.

The draft letter also supports the other proposed amendments to Form N-PORT, which would (i) permit a fund to “split” an investment into multiple buckets in certain circumstances, and (ii) require a fund to report cash and cash equivalents not reported elsewhere on the Form. We conclude by (i) strongly recommending that the SEC adopt a safe harbor as part of its liquidity framework; (ii) addressing the Proposing Release’s questions about the Department of the Treasury’s recommendation that the SEC embrace a principles-based approach to bucketing; and (iii) commenting on the proposed compliance dates.

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## [Attachment](#)

### **endnotes**

[1] *Investment Company Liquidity Disclosure*, SEC Release No. IC-33046 (Mar. 14, 2018)(the “Proposing Release”), available at [www.sec.gov/rules/proposed/2018/ic-33046.pdf](http://www.sec.gov/rules/proposed/2018/ic-33046.pdf). See Institute [Memorandum No. 31136](#), dated March 16, 2018, for background and a detailed summary of the proposal.