

## IDC UPDATE

November 10, 2022

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## SEC Proposes Swing Pricing for All Mutual Funds and Liquidity Rule Amendments

The Securities and Exchange Commission (SEC) recently approved, by a 3-2 vote, a [proposal](#) that would, among other things:

- Require all open-end funds (other than money market funds and ETFs) to adopt swing pricing, which would adjust a fund's NAV per share by a swing factor when the fund experiences net redemptions or when net purchases exceed a threshold;
- Impose a "hard close" so that an investor's order to purchase or redeem a fund's shares would be eligible for a given day's price only if the fund, its transfer agent, or a registered clearing agency receives the order before the time as of which the fund calculates its NAV, typically 4 p.m. ET;
- Provide additional standards for making liquidity determinations, amend certain aspects of the liquidity categories, and require more frequent liquidity classifications.

Comments on the [proposal](#) are due 60 days after its publication in the Federal Register. IDC has strong concerns regarding this proposal and plans to discuss the proposal with the SEC and submit a comment letter.

## SEC Adopts Rule Amendments for Summary Shareholder Reports

The SEC [recently](#) adopted [rule amendments](#) that will [require](#) open-end funds to (1) create and transmit summary shareholder reports highlighting key information and (2) tag the contents of shareholder reports in a structured data language. In addition, the amendments will preclude open-end funds from satisfying shareholder report transmission requirements by making the reports and other materials available online and providing a notice of that availability, as many currently do. The amendments also will prevent open-end funds from preparing a single shareholder report for multiple series and will require that they prepare and transmit to shareholders a report that covers only the specific class of fund in which a shareholder is invested. ICI's Memorandum summarizing the amendments is available [here](#) (login required).

## ICI Publishes Research Reports on Characteristics of Mutual Fund Investors, Ownership of Mutual Funds, and Shareholder Sentiment

ICI recently [published](#) research reports on the "[Characteristics of Mutual Fund Investors, 2022](#)" and "[Ownership of Mutual Funds and Shareholder Sentiment, 2022](#)." The reports reflect ICI's findings that 52.3 percent of households in the United States own mutual funds in 2022. ICI also found that almost all mutual fund-owning households were focused on

retirement saving. In addition, ICI determined that mutual fund-owning households' risk appetite is higher than other households, reflecting long-term investment mindsets.

## **Register Now for IDC Chapter Meeting in New York**

Registration is open for IDC's Chapter meeting in New York on Wednesday, November 16, 10:00 a.m. to 2:00 p.m. (ET) at Baker McKenzie in New York City. The meeting provides directors an opportunity for peer-to-peer sharing. In addition, Jen Klass, Partner at Baker McKenzie, will discuss distribution trends in the asset management industry and the impact on funds and fund directors. Register [HERE](#).

Directors attending the chapter meeting also may want to attend ICI's [Spotlight on Closed-End Funds](#) event immediately after the chapter meeting and [ICI's Closed-End Fund Conference](#) the following day, both in New York City. The pre-conference Spotlight on Closed-End Funds will explain what you want to know about closed-end funds—how they operate, how they might benefit investors, and some of their most pressing issues. Registration for the Spotlight event is complementary for independent directors of ICI member funds.

## **Mark Your Calendar for Upcoming Events**

*All times are shown in eastern time (ET), unless otherwise noted.*

### **Chapter Meetings**

- [New York, November 16, 10:00 a.m.](#)
- Denver, March 7, 10:00 a.m. (Mountain Time)

### **Foundations for Fund Directors®**

- January 11-12 (Virtual)
- June 13-14 (Washington, DC)

### **Conference**

- [ICI Closed-End Fund Conference and Spotlight on Closed-End Funds: November 16-17](#)

Please contact [Paul Mussoni](#) for additional information. A list of IDC events can be found on [IDC's website](#).