REGULATORY UPDATE

February '23

SEC PROPOSED RULE ON LIQUIDITY RISK MANAGEMENT AND SWING PRICING

On November 2, the SEC proposed amendments to its rules governing fund liquidity risk management and swing pricing.

KEY PROVISIONS – LIQUIDITY

- Removes the less liquid investment category and moves them into the illiquid category
- Mandates highly liquid investment minimums of at least 10% of fund net assets
- Expands illiquid investment limit to include margin or collateral posted for illiquid derivatives
- Establishes minimum criteria for liquidity classification

KEY PROVISIONS – SWING PRICING

- Mandates swing pricing for all registered open-end funds other than money market funds and exchange-traded funds
- Requires funds to establish and implement swing pricing policies and procedures
- Imposes a "hard close"
- Creates the role of a Swing Pricing Administrator, who must make good faith estimates, supported by data, of the costs the fund would incur if it purchased or sold a pro rata amount of each investment in its portfolio equal to the amount of net purchases or net redemptions. These estimates include a "market impact" determined according to specified estimates and calculations

REPORTING

- Requires amendments to Forms N-1A, N-PORT and N-CEN
- Increases the frequency of Form N-PORT filings

[Click here to read the SEC proposal]

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