SEC Proposes Targeted Changes to Public Liquidity Risk Management Disclosure

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Washington D.C., March 14, 2018 — The Securities and Exchange Commission today proposed amendments to public liquidity-related disclosure requirements for certain open-end investment management companies. Under the proposal, funds would discuss in their annual report the operation and effectiveness of their liquidity risk management program, replacing a pending requirement that funds publicly provide the aggregate liquidity classification profile of their portfolios on Form N-PORT on a quarterly basis.

The Commission adopted the open-end fund liquidity rule in October 2016 in an effort to promote effective liquidity risk management programs in the fund industry. Management of liquidity risk is important to funds' ability to meet their statutory obligation — and their investors' expectations — regarding redeemability of their shares. Since adoption, staff has engaged in extensive outreach to identify potential issues associated with the effective implementation of the rule.

This outreach resulted in a series of actions taken by the Commission. In addition to today's proposal, the Commission previously adopted a rule that extends by six months the compliance date for the classification and classification-related elements of Rule 22e-4 and related reporting requirements. In conjunction with this extension, the staff issued new guidance intended to assist funds in complying with the liquidity rule's classification requirements. Together with today's proposal, these actions are aimed at providing investors with accessible and useful information about liquidity risk management of the funds they hold while providing sufficient time for funds to implement the requirement to classify their holdings in an efficient and effective manner.

"Today's proposed rule is another step toward completing the implementation of the 2016 final rule in a manner that protects investors while minimizing unnecessary costs on funds," said Chairman Jay Clayton. "I look forward to ongoing engagement with investors, funds, and other market participants as we continue enhancing our ability to be effective overseers of the U.S. mutual fund industry."

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