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By Electronic Mail to rule-comments@sec.gov

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of Comment Period for Investment Company Reporting
(File No. S7-16-15)

Dear Mr. Fields:

LPL Financial LLC (“**LPL**”) appreciates the opportunity to comment on the Securities and Exchange Commission’s (“**SEC**” or “**Commission**”) Proposed Rule on Open-End Fund Liquidity Risk Management Programs (the “**Proposed Rule**”). As an initial matter, LPL wishes to express its support for the SEC’s efforts to improve liquidity risk management at mutual funds. We also support increased liquidity disclosure and recommend that the SEC take steps to maximize the uniformity and comparability of liquidity determinations. We further agree with the goal of minimizing the risk that (1) investors will not be able to redeem their investments in mutual funds, and (2) remaining shareholders in mutual funds will have their interests in those mutual funds diluted when other shareholders redeem their interests in the mutual funds. We discuss below certain operational challenges related to the proposed swing pricing that may affect services such as same-day exchanges and dividend reinvestment.

I. OVERVIEW OF LPL

LPL is a leader in the retail financial advice market and, as of September 30, 2015, serves about \$462 billion in advisory and brokerage assets. The majority of these customer assets are invested in mutual funds and ETFs. All of the mutual funds and ETFs held by investors at LPL are offered by third parties, as LPL does not offer its own proprietary products.

LPL is the nation's largest independent broker-dealer, a top custodian for registered investment advisors, and a leading independent consultant to retirement plans. We provide proprietary technology solutions, comprehensive clearing and compliance services, practice management programs and training, and independent research to more than 14,000 independent

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financial advisors and over 700 banks and credit unions. Our financial advisors provide financial advice to investors with assets in approximately 4.6 million client accounts. They service an estimated 40,000 retirement plans, with an estimated \$115 billion in retirement plan assets as of September 30, 2015. LPL also supports approximately 4,300 financial advisors licensed and affiliated with insurance companies with customized clearing, advisory platforms, and technology solutions. LPL and its affiliates have about 3,400 employees with primary offices in Boston, Charlotte, and San Diego.

LPL is dually registered with the SEC as an investment adviser and a broker-dealer. As of September 30, 2015, LPL had approximately \$180 billion in advisory assets under custody.

LPL helps independent financial advisors establish their own successful businesses through which they can offer independent financial guidance and advice to investors. Our independent financial advisors build long-term relationships with their clients and communities across the U.S. by guiding them through the complexities of investment decisions, retirement solutions, financial planning, and wealth management. In addition, LPL supports financial advisors and program managers at community and regional banks and credit unions by enabling them to offer investors a wide array of investment, advisory, and insurance products.

II. RECOMMENDATIONS

A. Swing Pricing Could Create Operational Issues

LPL understands that the swing pricing portion of the Proposed Rule is intended to address an important issue: the potential for mutual fund redemptions under certain circumstances to impose undue costs on shareholders that remain in the fund. The operational requirements that might be necessary to implement swing pricing, however, may be inconsistent with the way mutual fund orders currently are handled throughout the industry.¹

The Proposed Rule appears to require a mutual fund that adopts swing pricing to establish a specific time by which it would have to estimate its total net redemptions for the day, before it sets its Net Asset Value (NAV) for the day. The estimated total net redemptions would determine whether the mutual fund had triggered a swing pricing adjustment to its NAV. However, many broker-dealers, investment advisers, and retirement plans (“intermediaries”) process their mutual fund transactions on behalf of customers on an omnibus basis, and the mutual funds receive the orders after they establish their NAV for the day.² The orders that an intermediary sends after the mutual fund establishes its NAV include some important order

¹ In addition, LPL notes that customers who invest through regular standing instructions (for example quarterly or monthly investments) could receive adverse price adjustments as a result of swing pricing, even though these orders are readily predictable and as a result do not create liquidity management problems for mutual funds. As a result, in some circumstances it may be difficult for an intermediary to conclude that it is appropriate to recommend a mutual fund with swing pricing when a competitive mutual fund in the same asset class without swing pricing is available.

² Of course, those intermediaries must receive all mutual fund orders from customers by 4 pm ET in order to receive that day’s NAV.

types, such as same-day exchanges and dividend reinvestments (to assure that those dividends are reinvested the same day they are paid).

Receiving some orders post-NAV will make it more difficult for mutual funds to estimate whether they are likely to hit the net redemption targets that would trigger a swing pricing adjustment. If the Commission discourages mutual funds from accepting post-NAV orders to protect the integrity of the swing pricing process, intermediaries that use omnibus processing and their clients would be significantly affected. We respectfully request that if the Commission proceeds with the swing pricing proposal, it do so in a way that permits intermediaries and mutual funds to continue to utilize their current standard operations procedures. We also recommend that the Commission avoid encouraging different order transmission processes for mutual funds that adopt swing pricing from the processes used by other mutual funds. Having separate order transmission processes for different funds would add complexity and operational risk.

B. Comparability of Liquidity Determinations

LPL supports increased disclosure about liquidity and recommends that the Commission take steps to maximize the uniformity and comparability of mutual fund liquidity determinations. We recognize that liquidity evaluations necessarily include a subjective element. Moreover, different mutual funds may have legitimate reasons for different liquidity assessments of the same security, depending on position size and other facts. However, industry-wide uniformity in describing or assessing liquidity determinations would benefit investors and others evaluating mutual funds. We also suggest that the Commission encourage mutual funds to be transparent about the process by which they make liquidity determinations.

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We appreciate your consideration of these comments. We would be pleased to provide additional information regarding any of these issues. If you have questions regarding this letter or would like to discuss any of these points further, please do not hesitate to contact me or Sarah Gill, Senior Vice President and Head of Policy, Government Relations, at (202) 510-1025.

Sincerely,



David P. Bergers