

Rajib Chanda Quoted in *Fund Directions* on SEC's Liquidity Risk Management Rule

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Corporate Partner Rajib Chanda was quoted in *Fund Directions* on the effects of the liquidity risk management rule from the Division of Investment Management of the U.S. Securities and Exchange Commission for subadvised funds and exchange-traded funds. Frequently asked questions from fund professionals focused on how to handle advisers and subadvisers classifying portfolio securities into different risk categories. The SEC issued responses to those questions that endorse that different funds in the same complex may rank securities differently due to factors including “relevant market, trading and investment-specific characteristics.” “The SEC didn’t adopt a one-size-fits-all approach,” Rajib says. “What the industry was hoping for was that the SEC [make it clear] that there wasn’t a single way of achieving the ultimate regulatory result it was seeking to achieve. ... This allows fund boards to continue to focus on their responsibilities, instead of looking over their shoulder [at other complexes].”

The article also discusses the parameters of the definition of an in-kind exchange-traded fund for the purposes of complying with the rule. Investors are exempt from Rule 22e-4 liquidity bucketing requirement, but if shares are redeemed with more than a *de minimis* amount of cash, the fund loses its exemption. “What we have is an invitation for more questions coupled with an indication of willingness to be realistic, reasonable, pragmatic and commercial,” Rajib says. “When you have that, the expectation is that we should watch this space, because we’ll see more.”

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