ICI LIQUIDITY RULE IMPLEMENTATION WORKING GROUP CALL
JANUARY 24, 2017
2:00 PM EASTERN TIME

US Dial-in: 1-866-667-6381
Passcode: 7609283

AGENDA

1. Discussion about Asset Classification

- Are you likely to build a single classification framework for use across all funds in your complex? Do you foresee situations where funds within your complex classify assets differently (e.g., based on different size/market depth assumptions)?

- Under the rule, a fund must classify its investments into one of four categories, and the definition for each requires consideration of whether conversion of the investment to cash (or sale or disposition, as applicable) would "significantly chang[e] the market value of the investment." How might you interpret this term and make these determinations (*e.g.*, based on certain metrics or thresholds)? Might your approach differ depending on the asset class involved?

- Are you considering classifying the liquidity of investments according to their asset classes, as the rule permits? If so, how might you approach the establishment of these default asset classes, and how wide or narrow might they be? What might the processes/factors be for identifying exceptions to these default classifications (which the rule requires based on "market, trading, or investment-specific considerations that are reasonably expected to significantly affect the liquidity characteristics of that investment as compared to the fund's other portfolio holdings within that asset class")? To what extent would these factors be quantitative? Qualitative?

- The rule requires consideration of position size and market depth. How might you analyze and determine the sizes of an investment that you "reasonably anticipate trading?" To what extent might general assessment of liquidity risk (particularly fund flow analysis) inform this analysis? Once you arrive at a position size assumption, how might you evaluate it in relation to its market depth to arrive at a classification (*e.g.*, are there particular quantitative or qualitative factors that might be particularly important)? Might the approach or analysis differ by asset class? How might this overall process differ if you are primarily classifying investments using asset class defaults?

- With respect to a fund's derivatives transactions that it has classified as non-highly liquid, the fund must identify the percentage of its highly liquid investments that it has segregated to cover, or pledged to satisfy margin requirements in connection with, these derivatives transactions. Does this raise any concerns or compliance challenges?

- Is the SEC's guidance with respect to "relevant market, trading, and investment-specific considerations" helpful? Is it problematic in any way?

- Generally speaking, funds will review their investment classifications at least monthly in connection with their Form N-PORT reporting obligations. However, a fund must review its classifications "more frequently if changes in relevant market, trading, and investment-specific considerations are reasonably expected to materially affect one or more of its investments' classifications." Are there processes/factors under consideration for determining when more frequent reviews might be warranted? How might you understand/define certain key terms here (*e.g.*, "relevant considerations" and "materially affect")?

- Are there particular asset classes for which liquidity classification might be particularly challenging? If so, why? Are there any that should be relatively straightforward?

- Have you considered how bank loans will be classified? Specifically, how might expedited and extended settlements impact the analysis?

2. Update on ICI Resource Center and Webinars

3. Future Calls/Discussion Topics and Other Business