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ICI: Swing Pricing Proposal From SEC Could Severely Harm Savers

Washington, DC; November 2, 2022—Investment Company Institute (ICI) President and CEO Eric Pan released the following statement today after the Securities and Exchange Commission (SEC) proposed rule amendments around swing pricing:

“The SEC’s swing pricing proposal could have an enormous negative impact on the more than 100 million Americans who invest in funds, especially retirement savers. 63 percent of 401(k) plan assets are held in mutual funds, and these plans will be severely harmed by the SEC’s proposed “hard close,” which is likely to make it impossible for 401(k) plans to place trade orders for their participants.

“Mutual funds are highly liquid products that help Americans save for the future. ICI has presented extensive research regarding the experiences of funds during March 2020. There is strong evidence that funds did not cause or amplify problems in the financial markets in March 2020. It’s disappointing that the SEC is not taking this research into account.

“The proposal to mandate swing price is unnecessary. Its rationale is built on minimizing dilution—yet the SEC’s assertions lack detail or supporting evidence. The swing pricing proposal faces insurmountable operational hurdles, risks confusing investors, and upending mutual funds’ longstanding and equitable share pricing methodology.

“The proposed changes to the fund liquidity rule would make it even more prescriptive and offer no obvious benefit for fund shareholders. Instead, these changes will disrupt funds’ current practices at a significant cost to investors. The changes will negatively impact the operation of many funds that investors rely on to access certain investment strategies.

“The Commission must realize that rushing ahead with consequential proposals, fundamentally altering the shareholder experience, is a hallmark of the ‘regulation-by-hypothesis’ approach that the agency’s leadership is now known for.”