

Compliance with Proposed Swing Pricing/Hard Close Rule “Simply Not Possible”

WASHINGTON, DISTRICT OF COLUMBIA, UNITED STATES, February 14, 2023 /EINPresswire.com/ -- A proposed U.S. Securities and Exchange Commission (SEC) rule affecting types of funds used by most 401(k) and other retirement plans would negatively impact millions of working Americans saving for a secure and dignified retirement.



The proposed SEC rule would affect how funds manage liquidity risks and change certain reporting requirements. In [written comments](#), the Insured Retirement Institute (IRI) urged the SEC to withdraw the proposed rule and abandon any further rulemaking.

IRI said that the proposal “...would require a total overhaul of the industry’s compliance and operational systems and would have profound and adverse impacts on Investors and their retirement savings.”

The rule would require that funds manage liquidity risks using “swing pricing,” a method to allocate costs from inflows or outflows to the investors engaged in that activity. The proposal would also require a “hard close” for relevant funds. With a hard close, investor orders would need to be received by the fund, its transfer agent, or a registered clearing agency by the time of the fund’s pricing, typically 4 p.m. ET, to obtain that day’s price.

IRI says that the rule would put retirement savers at a disadvantage, given the steps retirement plan recordkeepers and intermediaries must take to execute trade orders. “The proposed rule’s prescriptions for swing pricing and a hard close will have a direct negative impact on millions of mainstream, middle-income Americans who are trying to save for a secure and dignified retirement and will greatly disrupt the processes that are essential to effective, successful, and compliant operations to effectuate returns to Investors,” IRI wrote.

Since the hard close proposal would require those intermediaries to transmit their final trades to the fund before market close and thus also before the fund has determined its new net asset

value (NAV), retirement plan compliance with the proposed changes, according to IRI, "...is simply not possible."

The association added, "Adoption of a rule that would have such an effect would be inconsistent and incompatible with the SEC's published mission of 'protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation,' and '... protecting Main Street investors and others who rely on our markets to secure their financial futures.'"

In addition to the operational impossibilities, implementing a hard close will create conflicts with other existing regulatory obligations regarding certain transactional obligations and providing best interest recommendations under the SEC's Regulation Best Interest.

"IRI respectfully recommends that the SEC withdraw and reconsider this rulemaking due to the unavoidable logistical impossibilities it would create, with emphasis on the direct negative impact it would ultimately have on retirement plan participants and variable insurance account holders as they save towards a secure and dignified retirement," the association concluded.

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The Insured Retirement Institute (IRI) is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, broker-dealers, banks, marketing organizations, law firms, and solution providers. IRI members account for 90 percent of annuity assets in the U.S., include the foremost distributors of protected lifetime income solutions, and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community. Learn more at www.irionline.org.

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