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January 13, 2016

By Electronic Mail

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, 80 Fed. Reg. 62,274 (Oct. 15, 2015) ("Proposal")

Dear Mr. Fields,

Markit welcomes the publication of the Securities and Exchange Commission's ("Commission")'s Proposal and the opportunity to comment on it. Markit (NASDAQ: MRKT)[1] is a global financial information services company, offering independent data, valuations, risk analytics, trade processing, and related services across regions, asset classes and financial instruments. We share, in common with the Commission, an interest in strong and liquid US capital markets. Markit is deeply invested in US financial markets, earning approximately half of its global revenues from business activities in the US and with over 1700 employees in the US, including over 700 people in New York, 500 in Boulder, and 400 in Dallas.

Markit has been actively and constructively engaged in the debate about regulatory reform in financial markets, including topics such as the implementation of the Pittsburgh G20 commitments for OTC derivatives and the design of a new regulatory regime for benchmarks. Over the past years, we have submitted more than 140 comment letters to regulatory authorities around the world and have participated in numerous roundtables.

Most pertinent for the purposes of this comment letter, Markit is a leading provider of liquidity-related data. Markit's Liquidity Scores[2] enable firms to assess their ability to exit a position and the possible price impact, they are widely used by buyside customers that have licensed Markit's pricing service. Markit liquidity data has also been used by public entities, including in a recently published International Monetary Fund paper.[3]

[1] Please see www.markit.com for further information.
[2] See Markit Liquidity Services, https://www.markit.com/Product/File?CMSID=00bd57831a874fd1b1333717b563f77d.
[3] See e.g., IMF Global Financial Stability Report, Oct. 2015, at 59, 60, 62, 65, 66, and 78, https://www.imf.org/External/Pubs/FT/GFSR/2015/02/pdf/text.pdf.

In 2010, Markit became among the earliest data vendors to offer a liquidity data service, providing its customers Liquidity Scores for portfolio assets (specifically corporate bonds, loans, and credit default swaps).[4] Markit's Liquidity Score and underlying liquidity data services utilize data from Markit's parsing service,[5] transactional data from TRACE and EMMA, as well as other data sources. The accuracy of pricing and liquidity data we produce for the loan markets is periodically back-tested against loan data extracted from Markit's industry-leading loan settlement platform, herewith ensuring the best-in-class quality of our loan pricing and liquidity data services.[6]

Markit also provides other services relevant to asset managers seeking to ensure the best possible execution for an asset sale (or purchase), given the liquidity for the asset. Markit's Transaction Cost Analysis (TCA) platform combines execution, algorithmic, venue, and smart order router evaluation analytics to enable asset managers to manage and maximize trade execution quality.[7] The Markit BestEx reporting platform enables customers to monitor and enhance execution quality relative to the current market price while facilitating compliance with SEC best execution requirements.[8]

Given our experience in assisting firms' liquidity risk management challenges, many of our buyside customers expect us to provide solutions designed to facilitate their compliance with new liquidity risk management rules once the Commission finalizes them. We offer these comments from this perspective and also informing this are conversations we have had with our asset manager customers regarding liquidity risk management generally and the Proposal in particular.

1. Executive Summary

We provide these comments from our perspective as a liquidity data vendor whose customers utilize (but do not necessarily rely on) our data, assumptions, estimations, and judgments regarding the liquidity risk of a given asset. We do not opine on whether the Proposal is warranted from a legal, regulatory, or economic perspective and instead provide informed comment intended to help the Commission improve the Proposal within its general contours. As described in further detail below, if the Commission decides to issue a final rulemaking based on the Proposal, we would recommend the Commission:

1. encourage vendors, like Markit, to maximize the quality and, especially, transparency of the liquidity data and analysis they provide to funds;

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[4] Markit plans scores for bond liquidity, Mar. 30, 2010, http://www.ft.com/intl/cms/s/0/11a9875e-3b93-11df-a4c0-00144feabdc0.html.

[5] Markit Parsing offers a dynamic, secure, real-time service that quickly and accurately extracts over-the-counter ("OTC") pricing content from messages. See Markit Parsing, https://www.markit.com/Product/Parsing.

[6] See Markit Loan Settlement, https://www.markit.com/Product/Loan-Settlement.

[7] Markit TCA delivers the metrics necessary to streamline performance-based order routing and optimal trade strategy selection, given a particular asset position and size. See Markit Transaction Cost Analysis, https://www.markit.com/Product/Transaction-Cost-Analysis.

[8] Markit Best Ex Reporting, https://www.markit.com/Product/BestEx-Reporting.

2. avoid an overly prescriptive approach to the liquidity risk management rules;
3. adopt a spectrum-based approach to classifying asset liquidity;
4. clarify that the phrases "materially affect," used in the Proposal's liquidity classification requirement, and "approximately the value," used in the proposed definition of "15% standard asset",[9] articulate a common materiality standard;
5. provide additional guidance on how funds should apply the materiality standard, it should be interpreted as an implied bid-ask spread that can be created using liquidity classification factors ("LCFs") for the portfolio asset and comparable assets;
6. adopt a presumptive materiality threshold based on asset class and type that would be adjusted based on the characteristics of the particular asset or market conditions;
7. adopt a common approach to classify assets based on a fund's ability to liquidate an asset within a given time period that takes into account mechanisms the fund may have established to mitigate settlement risk;
8. clarify that indicative quotations may be counted as quotations for the purpose of counting the frequency of quotations, an LCF;
9. amend the list of LCFs to include funding market liquidity and volatility of evaluated pricing information; and
10. clarify that a fund may consider LCFs for both a portfolio asset and assets comparable to the portfolio asset in assessing an asset's liquidity.

In addition to the above comments, we present relevant summary data relating to buyside liquidity risk management practices taken from a joint Markit-TABB Group survey. We also provide and recommend an alternative liquidity classification scheme.

2. Discussion of the Proposal's approach to classifying the relative liquidity of a fund's portfolio assets

a. Summary of Proposal

Proposed rule 22e–4 would require each fund to establish a liquidity risk management program. The liquidity risk management program would include, among other things, a requirement to "classify and engage in an ongoing review of each of the fund's positions and categorize asset positions into six proposed liquidity categories based on the time it takes to convert an asset position into cash at a price that does not materially affect the value of the asset immediately prior to sale." The six liquidity classes are as follows:

[9] The Proposal defines a "15% standard asset" as "an asset that may not be sold or disposed of in the ordinary course of business within seven calendar days at approximately the value ascribed to it by the fund. For purposes of this definition, the fund does not need to consider the size of the fund's position in the asset or the number of days associated with receipt of proceeds of a sale or disposition of the asset." (Emphasis added). Under the Proposal, a fund "may not acquire any 15% standard asset if, immediately after the acquisition, the fund would have invested more than 15% of its total assets in 15% standard assets."

i. Convertible to cash within 1 business day;
ii. Convertible to cash within 2–3 business days;
iii. Convertible to cash within 4–7 calendar days;
iv. Convertible to cash within 8–15 calendar days;
v. Convertible to cash within 16–30 calendar days; and
vi. Convertible to cash in more than 30 calendar days.

For purposes of classifying and reviewing the liquidity of a fund's position in a portfolio asset, funds are to take into account the following LCFs as appropriate:

i. Existence of an active market for the asset, including whether the asset is listed on an exchange, as well as the number, diversity, and quality of market participants;
ii. Frequency of trades or quotes for the asset and average daily trading volume of the asset (regardless of whether the asset is a security traded on an exchange);
iii. Volatility of trading prices for the asset;
iv. Bid-ask spreads for the asset;
v. Whether the asset has a relatively standardized and simple structure;
vi. For fixed income securities, maturity and date of issue;
vii. Restrictions on trading of the asset and limitations on transfer of the asset;
viii. The size of the fund's position in the asset relative to the asset's average daily trading volume and, as applicable, the number of units of the asset outstanding. Analysis of position size should consider the extent to which the timing of disposal of the position could create any market value impact; and
ix. Relationship of the asset to another portfolio asset.

Below we provide our comments by topic area in the order topics are discussed in the preamble to the Proposal. We quote the selected request for comment question ("RFCQs") in italics before providing our commentary.

b. General Comments

We do not opine on whether the Proposal is warranted from a legal, regulatory, or economic perspective and instead provide informed comment intended help the Commission improve the Proposal. We defer therefore to the dialogue between the asset management industry and the Commission on the more fundamental questions at the heart of the Proposal.

We commend the Proposal for encouraging vendors, like Markit, to maximize the quality and transparency of the data and analysis we provide. Because the Proposal rests ultimate responsibility for managing a fund's liquidity, including classifying its assets by liquidity, with the fund and its board, it will be important for vendors like Markit to present their data and analysis in a transparent fashion so that fund customers can effectively determine whether the data and analysis we provide would inform or supplement the fund's consideration of its liquidity risk management program. Moreover, a transparent liquidity data service would enable funds to adjust components of our analysis to better reflect their own judgment or the particular characteristics of their portfolio assets. We therefore encourage the Commission to, in any final rule relating to liquidity risk management programs, continue to encourage the provision of high-quality data and transparent analysis from vendors.

We also recommend the Commission avoid an overly prescriptive approach to the liquidity risk management rules because market discipline, under the threat of regulatory sanction, is sufficient to ensure the establishment of effective liquidity risk management practices. The judgments used in weighing different data and assumptions may differ among funds and vendors. This could lead to differing liquidity risk assessments. This variation should not give rise to the Commission's concern since ultimately the risk of poor liquidity risk management and/or regulatory liability (particularly once the Commission adopts a new final rulemaking) should ensure that market discipline forces ensure an adequate level of quality among those that develop assessments of liquidity risk. Where there are particular risks of a "race to the bottom,"[10] for example in the interpretation of what is a material price change, as discussed further below, the Commission could mitigate these risks through more clarification.

c. RFCQs relating to proposed liquidity risk classes in the order they appear, beginning on 80 Fed. Reg. 62,296

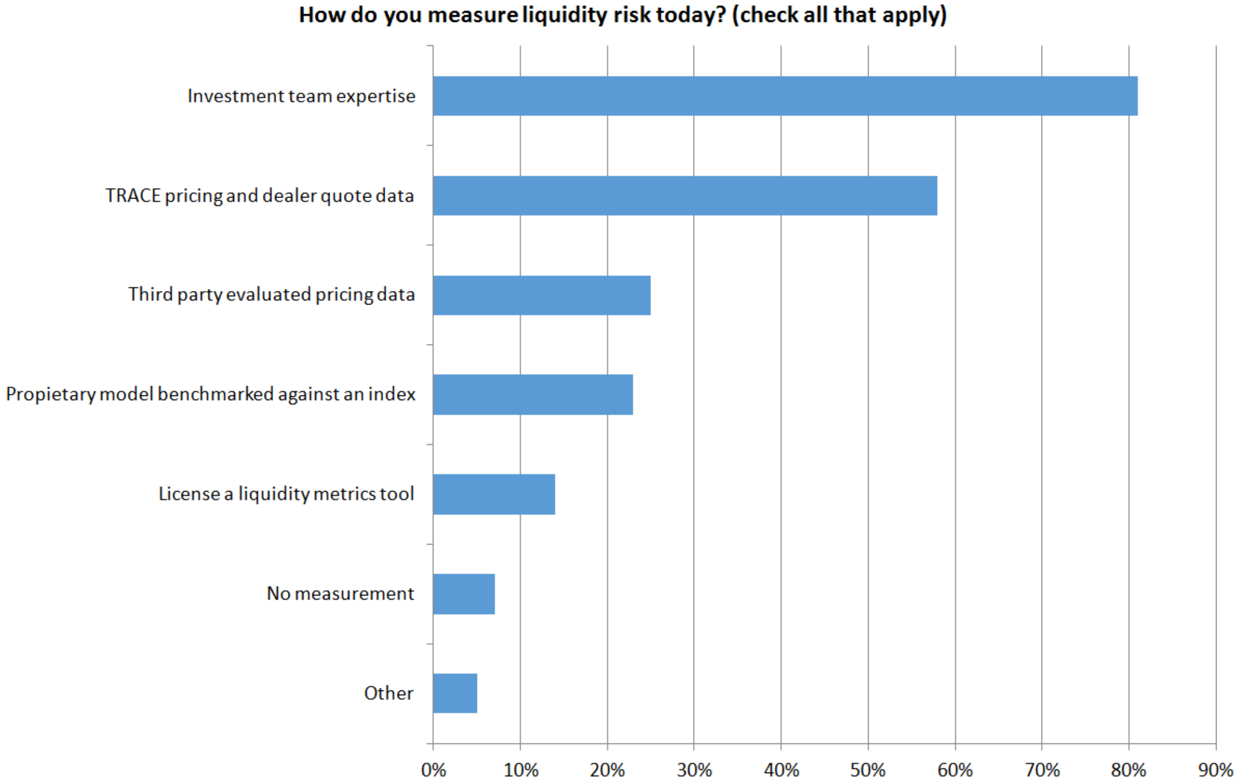
- *What procedures or practices do funds currently use to assess and classify the liquidity of portfolio assets? Have these procedures proven effective in the past? If not, under what circumstances were they ineffective, and why? Have funds modified their procedures for assessing and classifying liquidity in recent years to account for changes in market structure and the advent of new types of market participants? If so, how? Who at the fund and/or the adviser is tasked with assessing the liquidity of the funds' portfolio assets? Are any third-party service providers used in assessing portfolio assets' liquidity, and if so, how are such service providers used and what are the costs associated with their services?*

A recent survey Markit was involved in recently may be helpful in providing the Commission some insight into liquidity risk management practices used by the buyside. In October 2015, Markit and TABB jointly conducted a survey designed to gauge the current liquidity environment. Markit and TABB survey participants consisted of predominantly portfolio managers and traders across both buy-side and sell-side institutions. Of the 83 total respondents, 69% represented buyside firms, 21% sellside, and 11% indicated "other." The survey did not distinguish between buyside firms that

[10] By "race to the bottom," we mean a situation characterized by an increasingly favorable liquidity classifications made by funds as a consequence of competitive pressures and as enabled (or not prevented) by vague regulations or standards.

offer open-end mutual funds, exchange-traded funds (ETFs), or other fund types, e.g., private funds.

Survey participants were asked to indicate how they measure liquidity risk. The answers of the 56 buyside survey respondents are presented in the below chart. As shown below, the vast majority of the buyside firms relied on (1) investment team expertise (82%) and (2) TRACE pricing and dealer quote data (59%). Four respondents or 7% did not measure liquidity risk.



Of the available data sources used in measuring liquidity risk, 29% found TRACE data "very useful," the most among all of the data sources surveyed. Dealer intraday quote data was found to be "very useful" by 23% respondents. Other data sources included corporate bond turnover frequency data (18% found "very useful") and frequency of dealer quotes (14% found "very useful"). Of the 56 buyside respondents, 11 were portfolio managers, 34 were in trading, 2 in compliance, and the remainder were in "other" job functions.

- *Do commenters agree that it would be useful for a fund to consider portfolio positions' liquidity in terms of a spectrum instead of a binary determination that an asset is liquid or illiquid, and do funds currently consider the relative liquidity of portfolio assets by classifying assets (either explicitly or informally) into multiple liquidity categories? If so, what categories are used, and why?*

We believe it is generally helpful to classify portfolio asset liquidity along a spectrum and would therefore recommend the Commission continue this approach in any adopting release. The factors that can affect liquidity are manifold and complex, as implied by the proposed LCFs that would be used to assess liquidity. Liquidity depends on LCFs, market conditions for a particular position, and fund flows. Because there are multiple factors a spectrum-based approach is more likely to provide a better balance between simplicity and copiousness. In contrast, a binary, liquid vs. illiquid classification scheme would be overly simplistic.

We have used a spectrum-based approach in providing summary liquidity classifications for our customers. Our Liquidity Score product, used by many buyside customers, classifies assets based on a 1-5 scale with "1" indicating most liquid and "5" indicating least liquid. The scores are calculated pursuant to a transparent methodology and the underlying data used to calculate the liquidity score is available to customers. The Markit liquidity scores utilize data from TRACE, trade repositories, dealer quotes, interdealer brokers, executable feeds, books of record, index contributions, and counterparty marks. Customers modify the underlying data as they deem fit, e.g., they might feed it into their own methodology to generate liquidity scores.

- *Are there concerns, such as proprietary or liability concerns, associated with reporting liquidity classifications based on such assumptions, estimations, and judgments?*

So long as a given vendor is transparent about the data, assumptions, and methodology used and redistribution rights to the vendor's data are appropriately protected, we do not think there are potential proprietary concerns. With respect to liability concerns, the utility and therefore competitiveness of a vendor's products and services are directly related to its ability to inform a fund risk manager or fund board's judgment and as such, the data, assumptions, and methodology should be transparent.

- *The proposed rule would require a fund to determine, using information obtained after reasonable inquiry, the number of days within which a fund's position in a portfolio asset (or portion of a position in a particular asset) would be convertible to cash at a price that does not materially affect the value of that asset immediately prior to sale. Do commenters believe that the terms "information obtained using reasonably inquiry," "at a price that does not materially affect the value of that asset," and "immediately prior to sale" are sufficiently clear? If not, how could they be made clearer?*

We recommend that the Commission clarify that the phrases "materially affect," used in the Proposal's liquidity classification requirement, and at "approximately the value," used in the proposed definition of "15% standard asset"[11] articulate a

[11] The Proposal defines a "15% standard asset" as "an asset that may not be sold or disposed of in the ordinary course of business within seven calendar days at approximately the value ascribed to it by the

common materiality standard. We do not see a reason why these phrases should be interpreted differently.

The issue of harmonizing the meaning of these phrases aside, we further recommend that Commission provide additional guidance on how funds should interpret the materiality standard. We understand that the Commission's intention with the materiality standard implies a standard that would be met if the asset sale occurs within of the bid-ask spread (or national best bid and offer or "NBBO") spread. For many assets, e.g., most bonds or loans, there is generally no bid-ask spread or anything analogous. We note that for corporate bonds on a typical day we may observe 30,000 unique instruments quoted (or 50,000 for municipal bonds). These quotes represent less than 2% of the entire universe of bonds generally.

Specifically within the US, on a typical day based on data from the beginning of November 2014 to the end of October 2015, we may observe 15,000 unique corporate bond instruments being quoted. According to TRACE data for this time period, approximately 8,000 unique bond instruments trade on a given day. Moreover, approximately 20% of corporate bonds that are traded are not quoted on the day they traded. This indicates liquidity that may not be apparent based on quote data. This means that roughly a third of corporate bonds that are quoted on a typical day do not trade. On the other hand, reliance solely on transactional data may also be inadequate to assess available liquidity for a given instrument.

For these infrequently traded assets, we suggest the Commission adopt the concept of an implied bid-ask spread that can be created using LCFs for the portfolio asset and comparable assets. Price impact within the implied bid-ask spread would be deemed to be immaterial.

We recommend that the Commission adopt a presumptive materiality threshold **for particular asset types.** For some assets that do have a bid-ask spread, such bid-ask spread may be wide. This could mean that for certain investment grade corporate bonds, for example, a low premium may be "material" but for a high-yield bond, the materiality threshold may be higher. We would suggest the Commission adopt a presumptive materiality threshold for all funds to apply initially.
This presumptive materiality threshold would be a function of multiple market and instrument factors and would have to be adjusted upward or downward when a particular asset position had a wider or narrower (respectively) implied bid-ask spread. Providing this kind of guidance would enhance the comparability of liquidity-related disclosures by

fund. For purposes of this definition, the fund does not need to consider the size of the fund's position in the asset or the number of days associated with receipt of proceeds of a sale or disposition of the asset." (Emphasis added). Under the Proposal, a fund "may not acquire any 15% standard asset if, immediately after the acquisition, the fund would have invested more than 15% of its total assets in 15% standard assets."

standardizing a key component of the liquidity risk analysis used in classifying assets. This standardization would also reduce the risk of a "race to the bottom" without introducing undue complexity in determining what price change exceeds the materiality standard. We would advise that the Commission consult with asset managers and vendors like us to help provide specificity on these presumptive materiality thresholds.

- *Do the proposed liquidity categories reflect the manner in which funds currently assess and categorize the liquidity of their portfolio holdings as part of their portfolio and risk management?*

We recommend the Commission harmonize the differing focuses of the liquidity classification and 15% standard requirements and adopt a common approach based on a fund's ability to liquidate an asset within a given time period that takes into account mechanisms the fund may have established to mitigate settlement risk. The proposed liquidity classification requirement is based on the time it takes to settle a transaction while the definition of "15% standard asset" is based on the time it takes to trade an asset. Based on our discussions with funds, the Proposal's focus on settlement dates differs from the way funds assess and categorize the liquidity of their portfolio holdings, which is generally based on trade date.

Effectuating this recommended change could be done through a clarification that "conversion to cash" includes credit arrangements that can hasten a fund's access to payments resulting from the sale of an asset. The reason for the current emphasis on trade dates is that funds have procedures in place to mitigate settlement risk. We note that the Proposal's periodic liquidity risk management assessment requirement (proposed rule 22e-4(b)(iii)) takes into account borrowing arrangements that are the primary tool through which funds can mitigate settlement risk. For example, while a fund may not be able to settle a particular loan sale within 10 business days, it could trade it in two days and bridge the gap between the sale and settlement by accessing a line of credit. While we do not see a need for the Proposal to emphasize settlement risk as it has done, we suggest that any concerns regarding the use of credit arrangements to reduce the time it takes to convert a position to cash be addressed through a disclosure of the risks associated with such credit arrangements.

We recognize that the Commission may have concerns with including the effect of credit arrangements on the ability of funds to receive payments related to the disposition of the asset. Reliance on such credit arrangements transforms settlement risk into counterparty credit risk.

The Commission could address this concern by conditioning a fund's ability to include the effect of credit arrangements in classifying its assets on the existence of policies and procedures intended to mitigate this credit risk, e.g., through opening lines of credit with multiple lenders. A benefit of this approach is that it would incentivize prudent counterparty credit risk management.

The Commission could further condition this allowance based on features of the asset that mitigate the underlying settlement risk, e.g., if the underlying asset is settled "as soon as reasonably practicable given the features of the underlying asset," which the Commission staff could interpret over time as operational practices evolve. The benefit of including this condition is that it could incentivize funds to improve operational practices and thereby reduce settlement times. This allowance would further preserve buyside participation in these slower to settle asset classes and prevent a vicious cycle that would follow from funds' reduced exposure in these asset classes that, in turn, would make these asset classes less liquid, as consequence of the Proposal's three-day liquid asset minimum.

- *Should we increase or decrease the number of liquidity categories to which a fund might assign a portfolio position? For example, should we combine the last three liquidity categories (convertible to cash within 8–15, 16–30, or in more than 30 calendar days) into one liquidity classification category (e.g., ''convertible to cash in more than 7 calendar days'')? Why or why not? Should we add one or more liquidity categories outside of the more than 30 calendar day time period (e.g., ''convertible to cash in more than 90 calendar days'')? Why or why not? Should we revise the time periods associated with any of the proposed liquidity categories? Alternatively, should we permit a fund to classify the liquidity of its portfolio securities based not on conversion-to-cash time periods specified by the Commission, but instead based on conversion-to-cash time periods that the fund determines to be appropriate (taking into account the fund's redemption obligations)? Would such an approach diminish comparability in funds' reporting of their liquidity assessment on proposed Form N–PORT, discussed below?*

Our recommended liquidity classification scheme is based on three premises:

1. As discussed above, we recommend a harmonized approach for the liquidity classification and for the 15% standard asset requirements based on the time it takes to convert a position to cash that takes into account credit arrangements and other mechanisms to reduce settlement risk.
2. We believe that there will be cost and operational efficiencies that would follow from an approach to liquidity classification that is harmonious with other regulatory liquidity classification schemes, e.g., the liquidity coverage ratio for banks.
3. We recommend that the Commission classify assets based on "business days" in general, with an exception for assets that are liquidated in more than seven days.

Based on these premises, we recommend an alternative approach with *five* liquidity categories:

ii. <= one (1) business day: this is important for ETFs that must rebalance their portfolios inside of a business day;

iii. <= three (3) business days, this and the previous category would encompass assets that comply with the proposed three-day liquid asset minimum;
iv. <= seven (7) business days, this would be commensurate with the requirement under section 22(e) of the Investment Company Act to make payment within seven days on any redemptions (absent specified unusual circumstances);
v. <= thirty (30) calendar days, this would mirror the high-quality liquid asset requirement under the liquidity coverage ratio rule applicable to banking entities;[12] and
vi. > thirty (30) calendar days.

- *Should any of the proposed factors not be required to be considered by a fund in making liquidity determinations? Should any of the proposed factors be modified? Are there any additional factors, besides the proposed factors, that a fund should be required to consider in evaluating the liquidity of a portfolio position in a particular asset? Should the proposed rule text be modified to explicitly exempt certain types of funds from considering certain factors? Or are there additional factors, besides the proposed factors, that should be required to be considered by certain types of funds? Should funds be required to consider correlations between asset classes more generally, outside the derivatives and hedging contexts? Should certain factors be given more weight than others? Should proposed rule 22e–4 explicitly require a fund to classify the liquidity of a position (or portions of a position in a particular asset) used to cover a derivative position using the same liquidity classification category as it assigned to the derivative? Should the Commission provide additional guidance regarding the circumstances in which a fund should consider the liquidity of a particular portfolio asset in relation to the liquidity of another asset? What types of operational challenges would arise in connection with considering the liquidity of a particular portfolio asset in relation to the liquidity of another asset?*

We recommend that the Commission clarify that indicative quotations may be counted as quotations for the purpose of counting the frequency of quotations, as an LCF. As acknowledged by the proposal, because of the scarcity of transactional data for a vast universe of bonds there is a need to augment transactional data with quotation data. This allowance should be clarified appended to encompass indicative quotation data as well as quotation data.

[12] "The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR will improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy." Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools, Jan. 2013, http://www.bis.org/publ/bcbs238.pdf.

It is common practice today for funds and the vendors that supply them with data to look to at both indicative and actionable quotation data to assess pricing and liquidity. The utility usefulness of indicative data has been confirmed through numerous back-testing exercises we have conducted to ensure the reliability of pricing and liquidity data we produce.

Finally, we also recommend that the Commission include volatility of evaluated pricing information, in addition to volatility of trading prices, as an LCF. As discussed above, many portfolio assets do not trade frequently but are nevertheless priced using indicative and actionable quotation data and data relating to comparable assets. For these less-frequently traded assets the pricing volatility may only be discernible when considering evaluated pricing.

- *To the extent that a fund lacks pertinent information about a particular portfolio asset, should the fund be required to consider the proposed rule 22e–4(b)(2)(ii) factors with respect to appropriate comparable assets? What characteristics of the portfolio asset and the comparable asset would a fund generally compare in determining the weight to ascribe to the comparable asset's liquidity in evaluating the portfolio asset's liquidity?*

We recommend the Commission clarify that a fund may consider LCFs for both a portfolio asset and assets comparable to it even where there is some transactional data available for the portfolio asset. We commend the Proposal's acceptance of bid-ask spread data for the purpose of assessing an asset's liquidity and the requirement to use data on "comparable assets" if a fund lacks pertinent information about a portfolio asset under proposed rule 22e-4(b)(2)(ii). We would ask the Commission to go further and broaden the data a fund could utilize in assessing an asset's liquidity to include data on comparable assets even when pertinent information about the portfolio asset is available.

Utilizing comparable asset-related data is common practice, used in Markit's liquidity data service, including Liquidity Scores, other vendors, and by funds generally. According to TRACE data from the beginning of November 2014 to the end of October 2015 analyzed by our pricing team, less than 400 TRACE eligible bond instruments trade on each and every day over the course of a year, indicating that an actively-traded market exists only for a small fraction of the universe of bonds. During the same year, approximately 35,000 unique bond CUSIPs traded. If one only uses TRACE transactional data to assess liquidity risk, the vast majority of bonds would appear illiquid. Moreover, many bonds are not actively quoted on alternative trading systems (ATS) or quoted in the OTC markets. It is therefore necessary to look to data corresponding to comparative assets to develop a complete picture of a particular asset's liquidity.

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Markit appreciates the opportunity to provide these comments to the Commission. We would be happy to elaborate on or further discuss any of the points addressed above. If you or your respective staffs have any questions, please do not hesitate to contact the undersigned or Salman Banaei at salman.banaei@markit.com.

Yours sincerely,

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