



February 8, 2023

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting; File No. S7-26-22

Dear Ms. Countryman,

The independent trustees (the “Independent Trustees” or “we”) of the Bridge Builder Trust appreciate the opportunity to comment on the Securities and Exchange Commission’s (the “Commission”) proposed amendments to its current rules for open-end investment companies.

The Bridge Builder Trust, sponsored by Edward D. Jones & Co., L.P. (“Edward Jones”), is currently comprised of 11 actively managed mutual funds (the “Bridge Builder Funds”) that together hold assets of approximately \$120 billion across various asset classes and serve over one million shareholder accounts.

Although Edward Jones is submitting a comment letter addressing various aspects of the proposed amendments, the Independent Trustees believe it is important to submit our own letter to express the Independent Trustees’ views specifically with respect to the proposed swing pricing mandate (the “Swing Pricing Proposal”).¹

As Independent Trustees whose responsibility first and foremost is to represent and act in the best interests of our Funds and their shareholders, we believe that we are well-positioned to provide an informed and important independent perspective on the Swing Pricing Proposal.

We have serious concerns regarding the Swing Pricing Proposal. A hallmark of the mutual fund industry is that each fund’s current net asset value per share (“NAV”) is computed each business day based on the market (or fair) values of the underlying securities in the fund’s portfolio. For decades, mutual fund shareholders have come to rely on daily NAV pricing as a bedrock principle that is almost “sacrosanct”, which has contributed to the trillions of dollars in mutual fund assets amid the wide range of different investment options available in the marketplace.

Swing pricing would be a radical departure from this standard pricing method, as adjusting the NAV to include variable trading costs – such as spread costs, brokerage

¹ The Bridge Builder Funds are available and sold exclusively to clients of Edward Jones. As such, we recognize that the Bridge Builder Funds are not expected to face the same level of operational challenges from the proposed “hard close” requirement as compared to other mutual funds that are sold to the investing public through third-party financial intermediaries or in retirement plans.

commissions, custody fees and other charges, fees and taxes associated with portfolio investment sales or purchases – is counter to the premise of using a share transaction price based on actual valuations of portfolio investments. In addition, because these trading costs are currently mutually shared expenses spread across a fund’s entire shareholder base, and are not an element of valuation, mandatory swing pricing would effectively result in the “demutualization” of these costs, which undermines an essential element of the mutual fund shareholder experience. Moreover, swing pricing introduces an element of randomness into a shareholder’s experience, whereby the direction and magnitude of a swing on any given day would be impacted by other shareholders’ subscription and redemption decisions on that particular day, rather than purely reflecting the NAV.

We also believe that requiring mutual funds to estimate “market impact” costs as part of the swing factor determinations is even more troublesome because it would require a high level of subjectivity in estimating such costs before they’re actually incurred. Estimates that overstate actual market impact costs would result in an “overswing” to the downward NAV adjustment, disproportionately penalizing redeeming shareholders (and conversely, leading to a “windfall” for purchasing shareholders). This inexact methodology runs counter to the level of precision with which share transaction prices have historically been computed based on unbiased valuations of portfolio investments and which shareholders have come to expect from an investment in a mutual fund. We are concerned that this change would make mutual funds less attractive and cause confusion and even mistrust towards mutual funds among the investing public.

Moreover, we believe the additional complexities introduced by swing pricing will increase operational risks to mutual funds, including the risk of miscalculations that could result in NAV pricing errors. As Independent Trustees with oversight of operational risk management, we are deeply concerned about the potential impacts of these heightened risks on mutual fund shareholders.

With respect to a mutual fund board’s oversight role more broadly, we feel that the underlying requirements of the Swing Pricing Proposal would be difficult for boards to meaningfully oversee and may place undue burdens on boards that are above and beyond a board’s oversight role with respect to pricing and valuation as currently required by Rule 2a-5. We urge the Commission to ensure that any final rule amendments recognize and characterize appropriately the oversight function of fund boards and not impose responsibilities that would inappropriately draw them into management functions.

Lastly, we would expect there to be substantial costs for mutual funds to establish and implement the proposed swing pricing requirements, which would likely have to be passed on to their shareholders.

While our comments above are focused on the Swing Pricing Proposal, we are also concerned about the components of the Commission’s proposals for liquidity risk management programs. We understand the importance of protecting shareholders’ interests by ensuring that mutual funds are prepared to effectively manage liquidity during a stressed environment.

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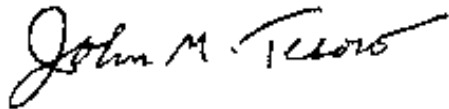
However, we are of the view that robust liquidity risk management programs are already in place and operating effectively under Rule 22e-4 as adopted in 2016. We believe the current rule requirements are adequately designed to enable mutual funds to succeed in managing liquidity risk and meeting redemption obligations, including during periods of market stress. We are concerned that the proposed changes will impose significant implementation costs on mutual funds (which likely would have to be borne by their shareholders) without any commensurate benefits to funds or their shareholders from a liquidity risk management perspective.

As we contemplated the Commission's proposals, we participated in discussions with the Independent Directors Council (IDC). We understand the IDC intends to submit a comment letter, and we urge the Commission to carefully consider the IDC's comments that will provide more detail regarding the challenges of the proposals and bring additional issues to the Commission's attention.

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We appreciate the opportunity to share our views on this important subject and look forward to continued dialogue between the Commission staff and the investment management industry.

Respectfully submitted,



John M. Tesoro
Independent Chairman
Board of Trustees of the
Bridge Builder Trust

cc: Marco E. Adelfio, Goodwin Procter LLP