WASHINGTON, DC • BRUSSELS • LONDON • WWW.ICI.ORG

ICI Statement on SEC Fund Names Rule Proposal

Washington, DC; August 16, 2022—Today, ICI President and CEO Eric Pan released the following statement regarding the SEC's Fund Names proposed rule:

"The SEC's current fund names rule has worked well for twenty years. It recognizes that a fund's name does not, and cannot, communicate everything that investors want to know about a fund before investing.

"Prospective investors understand that a name is simply a starting point for understanding the fund's investment strategies. In addition to the name, there are extensive documents prepared by funds describing their strategies, objectives and holdings. The SEC now wants a fund's name to stand alone, despite all this comprehensive disclosure.

"The SEC's names rule proposal is a blunt instrument that would place enormous costs on funds to comply with this new, complex regime. These costs will ultimately be paid by investors. The proposal also places the Commission in the position of second-guessing how investment professionals choose investments and execute strategies. This is not the SEC's job.

"The proposal inappropriately elevates the importance of a fund's name and doesn't help investors. It will simply add needless expenses and force funds to change how they operate just to stay in compliance with the new rule. For example, funds may be compelled to rebalance their investments or sell positions in a short time frame—possibly at fire sale prices—because the new SEC rule is so rigid. In addition to forced sales, the rule could lead to unwanted tax implications for investors and tracking error. None of these outcomes would be expected or welcomed by fund investors.

"The sweeping changes in the proposed rule would impact a huge segment of the fund industry—over ten thousand funds—and increase costs for fund shareholders significantly and unnecessarily. According to the SEC's own estimates, fund industry costs could range between $500 million and an astronomical $5 billion. Costs could easily reach the high end of this range, or even higher, due to the fundamental differences between the current and proposed rule. For example, current systems and processes are not readily transferable and would need to be replaced or redesigned. A potential multi-billion dollar cost to fund investors is a dreadful consequence, especially when the Commission's economic analysis fails to provide compelling evidence to change the current rule.

"The proposal wrongly attempts a wholesale restructuring of a system that is broadly sound. It should be discarded."

To read ICI's comment letter, click here.