

December 23, 2024

By Electronic Transmission

The Honorable Gary Gensler
Chair, Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Request to Extend the Compliance Dates for Fund Names Rule Amendments (File No. S7-16-22)

Dear Chair Gensler:

The Investment Company Institute¹ is writing to request that the Commission (i) extend the compliance dates of the amendments to the Names Rule (the “Amendments”)² by a minimum of 18 months and (ii) base the compliance date on a fund’s fiscal year-end.³ Extending the compliance dates in this way will: provide funds with adequate time to complete implementation in an orderly manner, including incorporating expected, but not yet issued, staff FAQs;⁴ allow the incoming administration the opportunity to appropriately determine whether and how to address the substantive challenges and complexities the Amendments present; and allow all funds—irrespective of their fiscal year-ends—a full compliance period to update their disclosures while avoiding costly and disruptive off-cycle filings, all to the ultimate benefit of investors.

¹ The [Investment Company Institute](http://www.ici.org) (ICI) is the leading association representing the asset management industry in service of individual investors. ICI’s members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage \$37.5 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 120 million investors. Members manage an additional \$9.6 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI has offices in Washington DC, Brussels, and London.

² See [Investment Company Names](#), SEC Release No. 33-11238 (Sept. 20, 2023). In this letter, we refer to Rule 35d-1 under the Investment Company Act as the “Names Rule” (or “Rule”).

³ The compliance dates are currently December 11, 2025 for larger entities and June 11, 2026 for smaller entities. With our requested extension, a fund would be required to comply, based on its fiscal year end, no earlier than June 11, 2027 for larger entities and December 11, 2027 for smaller entities.

⁴ The current [Names Rule FAQs](#) are integral to how funds interpret and comply with the Rule.

Summary of Amendments and ICI Engagement

The Names Rule addresses the use of certain fund names that are likely to be materially deceptive or misleading. The Amendments significantly expand the Rule's scope⁵ and funds' compliance obligations.⁶ ICI engaged extensively with the Commission on the Amendments when they were initially proposed, filing multiple comment letters⁷ and meeting several times with SEC staff and Commissioners to discuss our concerns, emphasizing the numerous interpretive challenges and associated compliance burdens. We also stressed the expected broad impact of the proposed amendments and recommended a longer compliance period (i.e., three years instead of one).

We have continued to engage with SEC staff since the Amendments were adopted, meeting with them multiple times to inform them of the industry's progress and associated obstacles, and to discuss revising existing FAQs, drafting new FAQs, and extending the compliance dates. The staff has been receptive, and these discussions have been constructive. We believe that the delay in issuing updated FAQs is largely due to the Amendments' complexity and ambiguity.

Current Compliance Dates Do Not Provide Sufficient Time

ICI has been actively working with our members to implement the Amendments for over fourteen months. We lead a working group consisting of nearly 400 representatives from our member firms. We hold monthly (or more frequent) working group discussions, periodic subgroup calls focused on specific aspects of the implementation (e.g., treatment of derivatives and issues applicable to index funds), and many one-on-one member calls, and we have consulted with expert outside counsel. Through this work, the following observations have become increasingly clear, leading to the inescapable conclusion that additional time for compliance will be necessary:

⁵ The Commission itself estimated that over 10,000 funds would be impacted by the Amendments, with an aggregate overall cost between \$500 million and \$5 billion for fund investors. ICI's own analysis indicates that even the high end of this range significantly underestimated implementation and on-going compliance and system costs.

⁶ The amended Names Rule now will apply to any fund name with terms suggesting that the fund focuses on investments that have, or whose issuers have, "particular characteristics," a vague term that the Amendments do not define. The Amendments now require funds to review *all* of their portfolio investments at least quarterly to determine whether a fund's investments continue to be consistent with the fund's 80% investment policy. If a fund is out of compliance with its 80% investment policy, it will generally have 90 days to return to compliance. The Amendments also include certain requirements for the treatment of derivatives and require enhanced prospectus disclosure, new reporting on Form N-PORT, and extensive recordkeeping.

⁷ For ICI comments on the 2020 Request for Comment on Fund Names, see [ICI Comment Letter to the SEC](#) (May 5, 2020) and [ICI Supplemental Comment Letter to the SEC](#) (Aug. 31, 2020). For ICI comments on the 2022 proposal, see [ICI Comment Letter to the SEC](#) (Aug. 16, 2022); [ICI Supplemental Comment Letter to the SEC](#) (May 22, 2023); [ICI Supplemental Comment Letter II to the SEC](#) (July 31, 2023); and [ICI Letter to Chair Gensler](#) (Aug. 17, 2023).

- The complexities and costs associated with implementation far exceed what members initially contemplated;⁸
- Threshold questions about the Amendments’ scope remain unanswered, delaying key compliance-related decisions;
- The Amendments affect, and require collaboration among, multiple departments, including compliance, legal, portfolio management, reporting, distribution, and technology, along with third-party vendors;
- Implementation steps are numerous and complex, including drafting and adopting appropriate policies and procedures; building compliance, recordkeeping, and reporting processes; updating various disclosures; designing, building, and testing technological systems for trade management, compliance and recordkeeping functions; and seeking board (along with, in some cases, shareholder) approvals; and
- The challenges of implementation tasks are compounded for funds with sub-advisers and derivatives holdings, and implementation for closed-end funds, BDCs, and UITs involves additional unique considerations.

ICI, along with many other commenters, requested a longer implementation period,⁹ and our experience with implementation further demonstrates that a longer compliance period is necessary. The continuing uncertainty regarding fundamental and threshold aspects of the Amendments that FAQs would help address is compounding compliance challenges.¹⁰ Only after certain threshold questions are answered may all funds proceed confidently and efficiently with their implementation plans. We urge staff to take the necessary time to complete the FAQs, but this should not effectively shorten funds’ compliance periods.

Also, as we emphasized in our November 2024 letter to you,¹¹ funds and advisers are implementing several other final rules concurrently with the Amendments, making compliance even more challenging.

⁸ For example, our members have spent an enormous amount of time and resources reviewing each of their funds’ names and strategies to determine which of their funds are now captured by the Amendments’ vague “particular characteristics” provision.

⁹ [Letter from ICI to the SEC](#) (Aug. 16, 2022). We recommended the Commission provide at least three years for the myriad steps necessary to implement the proposed amendments. Despite certain differences between the proposed amendments and final Amendments, our rationale remains the same. Additionally, our position is bolstered by the complexities that have come to light as funds implement the Amendments.

¹⁰ For example, how a fund should treat the term “income” under the Amendments remains unclear. The term “income” appears in the names of approximately 1,133 funds, not including those using the term in the context of “fixed income.”

¹¹ [ICI Letter to Chair Gensler](#) (Nov. 18, 2024).

Compliance Dates Should Treat All Fund Investors Equitably

We also request that the new compliance dates allow for rolling compliance based on funds' fiscal year-ends.¹² This means that most funds would be permitted to make necessary disclosure updates as part of their regular annual filings rather than spending resources on additional filings (often referred to as “off-cycle” filings).

Funds must modify disclosure in their prospectuses and shareholder reports to comply with the Amendments. For example, funds may have to change their names and/or investment policies and strategy disclosures. But because the compliance dates do not currently take this into account, funds are between a rock and a hard place—having to choose between updating disclosure early as part of a fund's annual update *before* the compliance date (sometimes significantly so) or implementing changes at a later time (i.e., in off-cycle filings). Implementing the changes as part of an annual update, or effectively complying prior to the Amendments' compliance date, is simply not a viable option in some cases, however, because, as noted above, certain threshold issues await resolution through updated FAQs (and funds then will need to implement guidance from those FAQs, including by coordinating with sub-advisers and other service providers). The relief we are requesting would allow investors to avoid costs associated with off-cycle filings.¹³

Our recommended approach also would avoid the inequities the Amendments pose for funds. For funds that must make disclosure updates and wish to avoid the added costs of off-cycle filings, the compliance dates impose very different *de facto* deadlines on funds, depending on their fiscal year-ends. Some funds may have *eleven fewer months to comply*, as illustrated in the chart below.¹⁴

Fund Fiscal Year-End	August 31	July 31
Last Date for Annual 485(b) Filing Before Compliance Date	December 29, 2024	November 28, 2025
De Facto # of Months to Comply	~15 months	~26 months
Months of Compliance Period “Lost”	~11 months	Less than 1 month

¹² See Rule 8b-16 under the Investment Company Act (requiring registered funds to amend their registration statements not more than 120 days after the close of each fiscal year in filings that are often referred to as “annual updates”); see also Rule 485 under the Securities Act of 1933.

¹³ In general, these costs include external costs (e.g., outside counsel fees, auditor fees, fund administration expenses, and mailing and printing costs) that are typically fund-borne, and internal and “soft costs” (e.g., burdens of coordinating associated board approvals and creation of board materials, and updating marketing materials and websites).

¹⁴ The SEC adopted the Amendments in September 2023, and we assume the December 11, 2025 (large entity) compliance date. We also assume no off-cycle filings to bring funds' disclosures into compliance.

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Other Commission disclosure-related rules allowed filers to reflect new requirements on a rolling basis.¹⁵ The Commission doing so here would be consistent with that precedent¹⁶ and serve the best interests of investors.

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We would be happy to discuss our request in more detail and provide more information. If you have any questions, or if we can be of assistance in any way, please contact us at eric.pan@ici.org or paul.cellupica@ici.org.

Sincerely,

/s/ Eric J. Pan
President & CEO

/s/ Paul Cellupica
General Counsel

cc: The Honorable Hester M. Peirce
The Honorable Caroline A. Crenshaw
The Honorable Mark T. Uyeda
The Honorable Jaime Lizárraga
Natasha Vij Greiner, Director, Division of Investment Management

¹⁵ We believe that not allowing funds to make the necessary changes as part of their annual updates was not intentional.

¹⁶ See, e.g., [Amendments to Regulation S-K](#), SEC Release No. 33-10890 (Nov. 19, 2020); [Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements](#), SEC Release No. IC-34731 (Oct. 26, 2022).