

MEMO# 14359

January 15, 2002

INSTITUTE COMMENT LETTER ON SEC CONCEPT RELEASE ON ACTIVELY MANAGED EXCHANGE - TRADED FUNDS

[14359] January 15, 2002 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 3-02 SEC RULES COMMITTEE No. 4-02 UNIT INVESTMENT TRUST COMMITTEE No. 2-02 RE: INSTITUTE COMMENT LETTER ON SEC CONCEPT RELEASE ON ACTIVELY MANAGED EXCHANGE - TRADED FUNDS As we previously advised you, in November 2001, the Securities and Exchange Commission issued a concept release seeking comment on various issues relating to actively managed exchange-traded funds (ETFs).¹ In December, the Institute circulated to members a draft comment letter in response to the Commission's request for comments. This letter identified three areas in which actively managed ETFs may raise investment protection concerns not present with existing ETFs: portfolio holdings disclosure, adding an actively managed ETF class to a traditional mutual fund, and potential additional conflicts of interest for the ETF's adviser.² In circulating the draft, the Institute sought input on whether to include the conflict of interest section in the letter. Attached is a copy of the letter the Institute filed with the SEC. This letter is substantively similar to the draft that was circulated last month. Based upon the comments received, the conflict of interest section was retained in the letter filed with the Commission. Tamara K. Reed Associate Counsel Attachment (in .pdf format) 1 See Memorandum to SEC Rules Committee No. 89-01, Closed-End Investment Company Committee No. 19-01, and Unit Investment Trust Committee No. 24-01, dated November 13, 2001. 2 See Memorandum to SEC Rules Committee No. 98-01, Closed-End Investment Company Committee No. 24-01, and Unit Investment Trust Committee No. 28-01, dated December 21, 2001.

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