

**MEMO# 35592**

January 22, 2024

# **IM Staff Issues Guidance for ETFs Holding Foreign Currency**

[35592]

January 22, 2024

TO: ICI Members

ETF (Exchange-Traded Funds) Committee SUBJECTS: Compliance

Disclosure

Exchange-Traded Funds (ETFs) RE: IM Staff Issues Guidance for ETFs Holding Foreign Currency

The staff of the SEC's Division of Investment Management recently provided its views that exchange-traded funds must disclose their foreign currency holdings fully and transparently on their websites each day.[\[1\]](#) The disclosure should enable market participants to effectively arbitrage an ETF's shares and hedge their positions, and should enable all investors, including retail investors, to better understand the ETF's holdings.

The guidance notes that certain ETFs are disclosing foreign currency holdings only as "cash," which the SEC staff does not believe is appropriate because it does not provide market participants or investors with enough information to understand the ETF's foreign currency holdings. The staff believes that such practices do not permit market participants to distinguish between an ETF's U.S. dollar holdings and its foreign currency holdings and obscures arbitrage opportunities. It also increases arbitrage risks, leading to greater ETF trading spreads and expenses for ETF investors. The staff cites to Rule 6c-11(c)(1) under the Investment Company Act of 1940 requiring an ETF to disclose its portfolio holdings daily in order to "keep market prices of ETF shares at or close to the [net asset value ('NAV')] per share of the ETF."[\[2\]](#) That provision requires an ETF, on each business day before the open of trading on its primary listing exchange, to publicly disclose on its website the following information (as applicable) for each portfolio holding that will form the basis of the next calculation of the ETF's current NAV per share:

- Ticker symbol;
- CUSIP or other identifier;
- Description of holding;
- Quantity of each security or other asset held; and
- Percentage weight of the holding in the portfolio.

Consistent with these requirements, the staff believes that an ETF holding foreign currency

should identify the specific currency and provide an adequate description of the holding.

Kenneth Fang  
Associate General Counsel

#### **Notes**

[1] See SEC Division of Investment Management, Staff Statement on Rule 6c-11(c)(1)(i)(C) (January 19, 2024), available at [https://www.sec.gov/news/statement/im-staff-statement-foreign-currency-holdings-011924?utm\\_medium=email&utm\\_source=govdelivery](https://www.sec.gov/news/statement/im-staff-statement-foreign-currency-holdings-011924?utm_medium=email&utm_source=govdelivery).

[2] See Rule 6c-11(c)(1) under the 1940 Act; Exchange-Traded Funds, Investment Co. Act Rel. No. 33646 (Sept. 25, 2019) at 67, available at <https://www.sec.gov/files/rules/final/2019/33-10695.pdf>.

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.