ICI Welcomes SEC Proposal to Simplify Launch of ETFs, May 2008

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Investors Will be Well-Served by More Competition, Greater Innovation

Washington, DC, May 22, 2008 - The Investment Company Institute welcomes a U.S. Securities and Exchange Commission proposal to eliminate a regulatory impediment to the launching of exchange-traded funds (ETFs).

ICI "is pleased to express its strong support for the Commission's proposal" for a rule to replace the SEC exemptive orders under which current ETFs have been approved and operate, ICI said in a comment letter filed with the SEC.

The proposed rule would establish conditions under which new ETFs could begin operating without receiving exemptions from provisions of the Investment Company Act of 1940, which was enacted long before ETFs existed. The Commission said its purpose was to "eliminate unnecessary regulatory burdens and to facilitate greater competition and innovation among ETFs," a goal the fund industry strongly supports.

In the last 15 years, the SEC has issued 60 exemptive orders for ETFs, establishing a strong record to confirm that ETFs do not conflict with the intent of the '40 Act, ICI said in its letter. In addition to index-based ETFs — the predominant type of existing ETFs — the proposal would apply to fully transparent actively-managed ETFs, which are relatively new entrants to the market.

"Investors benefit tremendously from the innovation and choice that ETFs bring to the funds market," said ICI President and CEO Paul Schott Stevens. "This rule proposal recognizes that ETFs are an integral part of the investment landscape. When the rule is adopted, it should foster continued growth of ETFs.”

ETFs have enjoyed rapidly growing popularity since their inception in 1990. As of March, there were 644 ETFs on the market holding $571.1 billion in assets and $8.8 billion in inflows during the first quarter.