IDC Independent Directors Council
Promoting Excellence in Fund Governance

ICI Supplemental Comment Letter on Proposed Names Rule Amendments

On July 31, ICI submitted a letter supplementing our comments on the SEC's proposed amendments ("Proposal") to Rule 35d-1 ("Names Rule") under the Investment Company Act of 1940 ("1940 Act"). In the letter, we point out that regulatory processes and requirements already exist to ensure that fund communications with the public contain key information. In support of our view, we describe how FINRA's review of fund sales material promotes consistency between a fund's prospectus and its marketing materials. We also note that fund disclosure is subject to the Commission staff's review and that the Commission has its own robust set of requirements that govern fund advertising. We point out that SEC and FINRA rules, accompanied by comprehensive, multifaceted staff review, serve to ensure that fund communications are clear and not misleading, making many of the proposed amendments to the Names Rule unnecessary.

We also supplement our prior comments regarding the Commission's authority to adopt the Proposal under Section 35(d) of the 1940 Act. Section 35(d) gives the Commission the authority to "define such names or titles as are materially deceptive or misleading." The letter states that the Proposal is too vague and ambiguous to be an exercise of the Commission's "defining" authority. We also explain that the Proposal does not satisfy the materiality requirement and would not be an appropriate exercise of the Commission's authority under Section 35(d).

Read more in the comment letter.