

Re: Fund Names

Commissioners:

Refreshing, a readable SEC release with a tolerable length.

I agree fund names are probably the most important fund disclosures. Most investors feel they know how a fund invests merely by reading its name.... and in large part there is no reason why that should not be the case.

I believe the Names Rule generally works but can be improved.

- In addition to types of investments, the Names Rule should likewise apply to strategies. An income fund should be required to invest 80% of its assets in income producing securities or something that is economically equivalent. Value funds should invest 80% of their assets that the manager believes to be undervalued.
- The 80% test should apply to ESG and similar terms. A “Good” company is not much different than one that is “large” or “investment-grade”.
- For funds that use derivatives, the fund should consider the total economic exposure to the type of asset suggested by the fund name. If a mix of derivatives and risk-free assets are equivalent to an 80% direct investment in the type of investment, the Names Rule should be satisfied.
- Industries should be defined based on whether the fortunes of the company are tied to the industry. If a nascent industry does not have enough investment to satisfy the Names Rule, the fund should select another name. For example, an Electric Vehicle Fund should be holding more than 20% in companies like Toyota, Honda, Ford and other conventional car companies. It is not a significant portion of their business. It may be at some point in the future, and at that point they can be included in the 80% investment policy.
- 60-day notice - In most cases, 60 days’ notice is sufficient. (e.g., Large-Cap Fund to an All-Cap Fund). In other cases, where the changes are more extreme changes, such as Emerging Market Equity to Domestic Bonds, there should be greater protections. There should also be greater protections for nontraded/nonredeemable funds and funds with significant sales loads.
 - o Other changes - The SEC needs to come up with a consistent position for funds that have multiple terms in their name (separate by “And”). Must they sum to 80%? Is there a minimum investment in each term? What if one term is not subject to the test?
- For the first year after a name change, the prospectus/summary prospectus cover page should also mention the fund’s old name. (e.g., ABC Fund, formerly DEF Fund)
- If a fund takes a temporary defensive position such that it does not comply with the Names Rule, it should be required to state so in its MDFP and include the reason, timeframe, and a general description of the holdings during that position.
- Indices should be helpful to the Names Rule standards. If an index provider agrees to license an index to a fund, it can be said to be soliciting the purchase of a security. It should then be held to the antifraud standards.
- Any names rule changes need to be understandable. The test cannot be based on things such as notional value or adjusted notional value because that cannot be plainly explained to an investor. Use Reader’s Digest terminology not Finance 501 terms.

- The Names Rule should apply not only at the time of Investment but on an ongoing basis, or at least as of the fiscal year end.
- The Names Rule applies to changes in the fund's 80% policy. It was never clear to be what the 80% policy is. For an ESG fund, it is the one sentence that says we will invest 80% in Clean companies? Or does the policy include the definition of Clean? (e.g., if a fund changes its strategy such that nuclear power once did not qualify as clean, but now it does, is that a change to the 80% investment policy?)

Other Non-Names Relate Comments:

- The SEC needs to do its own investor testing when drafting disclosure requirements or when writing certain rules (such as ones that assume what an investor takes away from a fund's name).
- The SEC should reign in funds that drastically change their strategies, whether or not the Names Rule is implicated.
 - o Funds get around concentration by either (i) referring to an index (which the staff lets funds change without shareholder approval); or (ii) referring to any industry mentioned in the fund's name (which can likewise be changed without shareholder approval). This freedom of action should not be permitted and is not consistent with the ICA of 1940.
 - o Funds should be required to maintain their investor's expectations instead of recycling investors to seed what is, in essence, a new (and different) fund.
- EDGAR is not very good. It is very hard to find a fund by name and by ticker. Please fix it.
- The SEC has done a lot of rulemaking in the fund space lately. I think it is time to take a step back and see where the dust settles. It is becoming difficult to judge the impact or keep pace with the Commission's activities. For example, you proposed a Derivatives rulemaking on the heels of a liquidity rule that may well address some of the concern about derivatives (that is excessive speculation). I also believe you are working on a summary shareholder report just as rule 30e-3 is rolling out. This does not seem to be part of a coherent or cohesive rulemaking agenda (particularly under the same administration).
- In the face of Coronavirus, government chaos, ill-conceived monetary policy and the like, the SEC should permit the trading of Bitcoins on well-established securities exchanges. It should also permit funds of bitcoins to provide investor confidence in this asset class. It is really no different from a gold or currency fund.

Thank you.

John Crowley