

August 16, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

VIA E-MAIL TO RULE-COMMENTS@SEC.GOV

Re: Investment Company Names (File Number S7-16-22)

Dear Ms. Countryman:

Federated Hermes, Inc., and its subsidiaries ("**Federated Hermes**")¹ submit this comment letter to the U.S. Securities and Exchange Commission (the "**Commission**" or the "**SEC**") regarding the Commission's proposal (the "**Proposal**")² to amend Rule 35d-1 under the Investment Company Act of 1940 ("**Names Rule**").

The amendments outlined in the Proposal are intended to (i) increase investor protection by improving and clarifying the requirement for certain funds to adopt a policy to invest at least 80% of their assets in accordance with the investment focus that the fund's name suggests, (ii) update the Names Rule's notice requirements; and (iii) establish recordkeeping requirements. The Commission also is proposing enhanced prospectus disclosure requirements for terminology used in fund names, and additional requirements for funds to report information on Form N-PORT regarding compliance with the proposed names-related regulatory requirements.

Federated Hermes appreciates the Commission's efforts to improve and clarify the Names Rule; however, we have significant concerns with certain aspects of the proposed amendments and as such, fully support the comments and recommendations of the Investment Company Institute ("**ICI**") and the Asset Management Group of the Securities Industry and Financial Markets Association ("**SIFMA AMG**") as set forth in their comment letters both dated August 16, 2022. In particular, and without limiting the foregoing we strongly agree with the following points made in both letters:

- The current approach for the 80% investment policy requirement should be retained. Expansion of the Names Rule to encompass terms suggesting investments with particular "characteristic" (such as growth, value, income, global and international) would introduce unnecessary complexity to the Names Rule, expose funds and their advisers to the compliance risks and costs associated with a subjective and vague legal standard, lead to confusing and inconsistent application of the 80% investment policy, and create the potential for the Commission staff to substitute their judgment for that of funds' portfolio management professionals.

¹ Federated Hermes, Inc. (NYSE: FHI) is a global leader in active, responsible investment management, with \$631.9 billion in assets under management as of June 30, 2022. We deliver investment solutions that help investors target a broad range of outcomes and provide equity, fixed-income, alternative/private markets, multi-asset, and liquidity management strategies to more than 11,000 institutions and intermediaries worldwide. Our clients include corporations, government entities, insurance companies, foundations and endowments, banks, and broker-dealers.

² Investment Company Names, Release No. 33-11067; 34-94981; IC-34593 (Jan. 26, 2022), available at <https://www.sec.gov/rules/proposed/2022/33-11067.pdf>.

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- With regard to temporary departures from the 80% investment policy requirement, the Commission should retain the Names Rule’s existing “under normal circumstances” and “time of investment” standards that have proven effective over time, provide appropriate and reasonable flexibility for funds and their advisers, and are less costly to administer than the proposed amendments which would harm shareholders by forcing funds to sell securities at undesirable prices and inappropriate times.
- The proposed amendment concerning “antithetical” investments held in the 20% basket is overbroad and subjective which would create significant risks of second-guessing by a fund’s adviser and a heavy compliance burden. The amendment should not be adopted or must be adopted in a narrower and clearer form.
- The proposed new N-PORT and recordkeeping requirements are overly burdensome and costly, while providing no apparent benefit to investors. The requirement that funds maintain records documenting each investment included in the fund’s 80% bucket and the basis for its inclusion would impose significant burdens on funds’ compliance and portfolio management personnel and, distract or even reduce their capacity to focus on other important aspects of fund compliance and portfolio management with little apparent benefit to funds and their shareholders.
- The ESG-related considerations outlined in the Proposal should be tabled pending the Commission first finalizing its proposal regarding ESG disclosures for funds and advisers³. The Commission should evaluate investor understanding of the new disclosure approach before proceeding with any fundamental changes to the Names Rule. To the extent ESG-related names remain in the rule, there should be latitude to describe what is meant by the name and compliance tests should be aligned with the description. Certain names could imply total portfolio level attributes (e.g. low carbon fund) where there might not be a compliance test constructed at the individual security level, but the total portfolio could seek to achieve a carbon footprint lower than a comparable benchmark.
- The one-year compliance period for the proposed amendments to the Names Rule is completely unrealistic and wholly inadequate given the significant legal, compliance and operational challenges that would be presented by the proposal. The Commission should provide fund sponsors with at least three years to conduct an evaluation of the impact of the proposed amendments, determine whether changes are necessary and seek board and/or shareholder approval of any required changes to funds’ names or investment strategies, to adopt necessary policies and procedures, and to make any necessary or appropriate disclosure changes.

³ Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices, Rel. Nos. IA-6034 & IC-34594 (May 25, 2022).

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Please let us know if you have any questions on these comments.

Sincerely,



Peter J. Germain
Chief Legal Officer

cc: The Honorable Gary Gensler
The Honorable Caroline A. Crenshaw
The Honorable Jaime Lizárraga
The Honorable Hester M. Peirce
The Honorable Mark T. Uyeda

William A. Birdthistle - Director, Division of Investment Management
Sarah ten Siethoff - Deputy Director, Division of Investment Management

Susan Olson - General Counsel, Investment Company Institute