



The Capital Group Companies, Inc.
333 South Hope Street
Los Angeles, California 90071-1406
capitalgroup.com

November 26, 2019

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Amendments to Procedures with Respect to Applications under the Investment Company Act of 1940 (File No. S7-19-19)

Dear Ms. Countryman:

We appreciate the opportunity to provide comment to the Securities and Exchange Commission (the "Commission") on the Commission's above-referenced proposal (the "Proposal") to amend procedures for exemptive applications under the Investment Company Act of 1940 (the "Act").¹ The Capital Group Companies is one of the oldest asset managers in the United States. Through our investment management subsidiaries, we actively manage assets in various collective investment vehicles and institutional client separate accounts globally. The majority of these assets consist of the American Funds family of mutual funds, which are U.S. regulated investment companies distributed through financial intermediaries and held by individuals and institutions across different types of accounts. As part of the American Funds we manage the American Funds Insurance Series, a variable insurance trust with approximately \$140 billion in assets under management, whose portfolios act as underlying investment options for variable annuity and variable life contracts.

We applaud the Commission's efforts to streamline the review of routine applications, that is applications that are "substantially identical" to relief that that the Commission has recently granted. If adopted as proposed, the revisions to the process will greatly benefit both applicants and the Commission.

¹ Amendments to Procedures With Respect to Applications under the Investment Company Act of 1940, Release No. IC-33658 (Oct 18, 2019), 84 Fed. Reg. 58075 (Oct. 30, 2019) (the "Proposing Release").

The Proposal requests comment on the proposed definition of the term substantially identical and whether certain types of applications lend themselves to the expedited review process. We agree with the Proposal's definition of the term substantially identical and with the Commission's statement that applications filed under Section 26(c) of the Act are too fact-specific for applicants to be able to meet that standard. Given the nature of substitution applications filed under Section 26(c) we urge the Commission to specifically exclude these applications from consideration for expedited review.

The Commission's and the Staff's role in evaluating substitution applications is critical. By the very nature of the substitution process, the insurance company is seeking to replace the investment decisions of contractholders and their investment advisers with its own judgment. In many cases the application presents a conflict of interest between the insurance company's business and economic considerations and the best interest of the contractholders. Further, investment advisers, who have responsibility for their client's suitability, and contractholders lack any ability to influence the substitution process, a process that could ultimately affect their investments in a very personal way. Therefore, substitution applications should be viewed critically to ensure the suitability of the proposed replacement for the contractholders. We believe that the Commission and the Staff should view substitution requests through this lens and only approve substitutions when the insurer intends to replace a fund that is impaired in some way, is in jeopardy of being liquidated, has been subject to fraud or in other unforeseen circumstances. In these situations the fund in question would need to be replaced for the protection of the end investors.

Additionally, substitution applications should be judged by the varying facts and circumstances that are inherent in the process. Each fund proposed for replacement has different characteristics, including investment objectives and strategies, fees and investment results. As such, each substitution should be judged on its own merit, with consideration given to, among other things, the nature of the proposed replacement fund versus the current fund, the effect of the substitution on contractholder benefits, including guarantees, and the need for the substitution. The commission should not approve applications where the essential elements of the fund have changed; for example, the substitution of a passive fund for an actively managed fund. These considerations do not lend themselves to comparison against applications previously approved by the Commission.

We also support the Proposal's suggestion regarding enhanced transparency in the comment and response process. We believe that it will be beneficial for future applicants to be able to review the Staff's line of inquiry and prior applicants' responses. However, we suggest that the Commission consider shortening the period for comments and responses to be posted publicly to 45 days after final disposition of an application to align with the period set forth by the Division of Investment Management and the Division of Corporation Finance for the public release of comments and responses on disclosure filings.

We greatly appreciate the Commission's efforts to improve the exemptive application process and provide transparency around the comment and response process. Given the weight of the Commission's role protecting investors' interests in reviewing substitution applications filed under Section 26(c), we agree with the Proposal's suggestion that these types of applications are not suited to the proposed expedited review. In fact, the facts-and-circumstances nature of each proposed substitution and the scrutiny with which substitutions should be reviewed by the Commission and the Staff strongly suggests that they should be explicitly excluded from such consideration.

Thank you for your consideration of our comments. If you have any questions related to these comments or would like to discuss the substitution process further, please feel free to contact me at (213) 615-4024.

Sincerely,



Michael J. Triessl
Senior Vice President and Senior Counsel
Capital Research and Management Company

cc: The Hon. Jay Clayton
The Hon. Robert J. Jackson Jr.
The Hon. Allison H. Lee
The Hon. Hester M. Peirce
The Hon. Elad L. Roisman
Dalia Blass, Director, Division of Investment Management
Paul F. Roye, Senior Vice President and Senior Counsel, Capital Research and
Management Company