

This is your Release #17 (July 2020)

Mutual Funds and Exchange Traded Funds Regulation

Third Edition

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This seventeenth release to *Mutual Funds and Exchange Traded Funds Regulation, Third Edition* updates and expands the treatise to cover developments affecting mutual funds and exchange traded funds. Highlights of this release include:

Chapter 1B, Forming, Organizing, and Operating a Mutual Fund: Legal and Practical Considerations. Reviews the SEC's adopted rules and rule amendments relating to liquidity risk management, including Rule 22e-4, amendments to Rule 22c-1, and a final rule that replaced the current requirement that funds publicly report aggregate liquidity classification information on Form N-PORT (see section 1B:9.9); Rule 30e-3, which allows funds to satisfy shareholder report delivery requirements by making such reports accessible through a publicly available website (see section 1B:9.10); Rule 6c-11, which will allow ETFs that satisfy certain conditions to operate without obtaining an SEC exemptive order (see section 1B:12.2[A]); and Regulation Best Interest, which requires broker-dealers to act in the best interest of a retail customer when recommending any securities transaction or investment strategy involving securities (see section 1B:12.2[B]).

Chapter 11, Proxy Voting. Updated to include the SEC's 2019 guidance regarding the proxy voting responsibilities of investment advisers (see section 11:2.1[B]).

New Chapter 13B, Introduction to ESG Investing. Many investment companies registered under the U.S. Investment Company Act of 1940, as amended, and their investment advisers are increasingly focused on environmental, social, and governance (ESG) factors in connection with their formulation and implementation of investment objectives and strategies. This new chapter provides an overview of the history of ESG investing and current standards, as well as the legal and practical considerations that should be taken into account by registered investment companies, their boards of directors, investment advisers, and other service providers.

(continued on reverse)

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Chapter 14, Board Structure and Processes. Reviews the responsibilities of the board of an exchange-traded fund (ETF) with respect to share trading discounts (see section 14:3.17).

Chapter 19, Marketing Material. Covers Rule 163B under the Securities Act, adopted in September 2019 by the SEC, which permits issuers, including mutual funds, to engage in “test-the-waters” communications with qualified institutional buyers and institutional accredited investors about a contemplated registered securities offering (see section 19:3.4). Reviews FINRA Regulatory Notice 19-31, which addresses disclosure innovations in advertising and other communications with the public (see section 19:6.9).

Chapter 23, Regulation of Mutual Fund Sales Practices. Covers Regulation Best Interest, including the four component obligations that make up the general best interest obligation (see section 23:2.3[A]). Reviews other compensation received by broker-dealers in connection with mutual fund sales, including revenue sharing, distribution in guise, and compensation received related to custodial/clearing arrangements (see section 23:3.4).

Chapter 33, Closed-End Investment Companies. Extensively updated chapter discusses the nature and regulation of closed-end funds under the federal securities laws.

Chapter 34, An Overview of the Formation and Operation of Exchange-Traded Products. Covers the core conditions of Rule 6c-11, which permits ETFs that satisfy certain conditions to operate without the expense and delay of obtaining an exemptive order (see section 34:5.1[A]).

Chapter 35, Exchange-Traded Funds. Reviews Rule 6c-11 under the Investment Company Act, including the factors that an index-based or actively managed ETF must satisfy to rely on Rule 6c-11, and the types of ETFs that are not eligible to rely on Rule 6c-11 (and thus must continue to rely on their own ETF exemptive relief) (see section 35:3.1).

Chapter 35A, Interval Funds. Covers Form N-CEN and Form N-PORT (see section 35A:2.3[H]).

Chapter 36, Commodity Pool Operator Status and Regulation. Covers the new CPO registration exemption for “family offices,” adopted as new CFTC Rule 4.13(a)(6) (see section 36:4.3[C]), and the CFTC’s April 2020 proposed amendment to Form CPO-PQR (see section 36:5.3[D][9]).

Chapter 37, ERISA Issues for Mutual Fund Advisers. Reviews PTE 75-1, Part II, which allows a broker-dealer that is a party in interest or a fiduciary of a plan to effect “principal transactions” with the plan involving mutual fund shares, subject to some conditions (see section 37:5.2[A]).

Chapter 13A, Liquidity Risk Management Programs and Swing Pricing; Chapter 15, Shareholder Voting; and Chapter 45, Investment Management M&A, have also been updated with the latest developments.

To aid in your research, the **Table of Authorities** and **Index** have been updated.

Thank you for purchasing *Mutual Funds and Exchange Traded Funds Regulation, Third Edition*. If you have questions about this product, or would like information on our other products, please contact customer service at info@pli.edu or at (800) 260-4PLI.

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