



# MUTUAL FUND DIRECTORS FORUM

*The FORUM for FUND INDEPENDENT DIRECTORS*

June 12, 2019

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

Re: Securities Offering Reform for Closed-End Investment Companies (File No. S7-03-19)

Dear Ms. Countryman:

The Mutual Fund Directors Forum (“the Forum”)<sup>1</sup> welcomes the opportunity to comment on the Commission’s recent rule proposals regarding Securities Offering Reform for Closed-End Investment Companies.<sup>2</sup>

The Forum is an independent, non-profit organization for investment company independent directors and is dedicated to improving mutual fund governance by promoting the development of concerned and well-informed independent directors. In addition to the directors and trustees of more traditional open-end mutual funds, the directors of many closed-end funds (“CEFs”) and business development companies (“BDCs”) are also members of the Forum. Through education and other services, the Forum provides its members with opportunities to share ideas, experiences and information concerning critical issues facing investment company independent directors and also serves as an independent vehicle through which Forum members can express their views on matters of concern.

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While the amount of assets invested in CEFs and BDCs may be smaller than that of traditional open-end investment companies, they still play an important role in the capital markets and for retail investors. BDCs, for example, are an important source of capital for many smaller American enterprises and are thus an important element in the effective functioning of our capital markets. CEFs likewise often provide additional access to capital for less-liquid securities issuers.

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<sup>1</sup> The Forum’s current membership includes over 1075 independent directors, representing 137 mutual fund groups. Each member group selects a representative to serve on the Forum’s Steering Committee. This comment letter has been reviewed by the Steering Committee and approved by the Forum’s Board of Directors, although it does not necessarily represent the views of all members in every respect.

<sup>2</sup> Proposed Rulemaking: Securities Offering Reform for Closed-End Funds, Release Nos. 34-35382 & IC-33427, 84 Fed. Reg. 14,448 (April 10, 2019) (“Proposing Release”).

From the perspective of investors, BDCs and CEFs importantly provide retail investors with access to investment strategies and asset classes that are less-suited to be managed through open-ended investment companies. Absent CEFs and BDCs, these investment strategies and asset classes would not be available to retail investors or would only be available in forms that would be less diversified, less safe from an investor protection perspective or considerably more expensive. These unique types of investment companies can thus play an important role in building an overall investment strategy for many investors. At the same time, BDCs and CEFs offer investors who employ them important protections, since – like traditional open-end funds but unlike many other investment options – they are overseen by independent directors who seek to protect them from the conflicts of interest and other management risks inherent in pooled investment vehicles.

In spite of their importance, regulators, including the Commission, have often either ignored this space in favor of other regulatory priorities or have been slow to adopt changes intended to improve the manner in which these types of funds are regulated. We are therefore encouraged by the Commission’s prompt response to recent legislative changes designed to improve BDCs and CEFs access to capital markets and increase the efficiency of the manner in which they communicate to the markets and to their investors. By improving the effectiveness of the regulatory system through the reduction of unnecessary regulatory costs without sacrificing investor protections, these rule proposals, if adopted, will represent an important step in maintaining the vitality and vibrancy of this unique part of the capital markets.

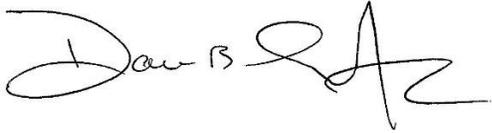
We thus wholeheartedly support the general approach of the Commission’s proposal. In particular, offering “seasoned funds” the ability to offer securities on a delayed or continuous basis and further granting immediate effectiveness to the registration statements of “well known seasoned issuers” should reduce the cost of capital raising for these funds while at the same time allowing them to access the capital markets more quickly at the times that they view as most favorable. Moreover, the savings these funds achieve are likely, ultimately, to accrue to the benefit of their current and future shareholders, thus making the vehicles an even more attractive investment option.

Moreover, while it is outside of our expertise to comment on the process by which BDCs and CEFs provide information and required disclosure to the markets and to their shareholders, we welcome the Commission’s proposed changes in this area. Treating these funds as more akin to corporate issuers broadly makes sense given that BDCs and CEFs are often listed on national exchanges and, unlike traditional open-end funds, are not engaging in daily purchase and redemption transactions with their shareholders. Whether the change is an ability for some issuers to incorporate information by reference, permitting broader dissemination of forward-looking information, permitting the use of a “free writing prospectus,” or other of the proposed changes, these proposed amendments should make communication simpler and less expensive for issuers, make more information available to their shareholders and reduce costs in a way that will benefit investors.

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In conclusion, for the reasons outlined above, we strongly support the Commission's proposed offering reform proposal and encourage the Commission to move expeditiously towards adopting a final rule. We would welcome the opportunity to further discuss our views with you. Please feel free to contact Susan Ferris Wyderko, the Forum's President, at 202-507-4490 or David Smith, the Forum's General Counsel, at 202-507-4491, if you should like to do so.

Sincerely,

A handwritten signature in black ink, appearing to read "David B. Smith, Jr.", with a stylized flourish at the end.

David B. Smith, Jr.  
Executive Vice President and General Counsel