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Submitted via email: rule-comments@sec.gov

July 18, 2019

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

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

Dear Ms. Countryman:

ProShare Advisors LLC (“ProShares”)<sup>1</sup> appreciates this opportunity to comment on the recent proposal of the Securities and Exchange Commission (the “Commission”) concerning Securities Offering Reform for Closed-End Investment Companies (the “Proposing Release”).<sup>2</sup>

The Commission has proposed amendments to rules under the Investment Company Act of 1940, as amended (the “1940 Act”), that would allow closed-end interval funds to pay securities registration fees using the same method as mutual funds and exchange traded funds registered under the 1940 Act (“1940 Act ETFs”). Existing rules for interval funds require payment of registration fees to the Commission each time a registration statement is filed for a finite number of shares. Mutual funds and 1940 Act ETFs, on the other hand, register an indefinite number of shares upon the effectiveness of their registration statements and pay registration fees annually based on the net issuance of such shares during the prior fiscal year. The Proposing Release states that the Commission believes interval funds would benefit from the ability to pay registration fees in the same manner as mutual funds and 1940 Act ETFs.<sup>3</sup> As support for permitting interval funds to pay registration fees on an annual net basis, the Proposing Release notes that interval funds, like mutual funds and 1940 Act ETFs, “routinely repurchase shares at net asset value.”<sup>4</sup> The Proposing Release also states that this approach would provide “similar operational benefits” for interval funds and “avoid the possibility

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<sup>1</sup> ProShares and its affiliated entities currently manage over \$35 billion in mutual fund and exchange traded fund assets across a variety of investment strategies.

<sup>2</sup> *Securities Offering Reform for Closed-End Investment Companies*, Release Nos. 33-10619; 34-85382; IC-33427 (Mar. 20, 2019).

<sup>3</sup> *Id.* at 63.

<sup>4</sup> *Id.*

that an interval fund would inadvertently sell more shares than it had registered and would not require the interval fund to periodically register new shares.”<sup>5</sup>

The Proposing Release requests comment on whether the Commission should permit additional categories of issuers to pay registration fees on an annual net basis.<sup>6</sup> For the reasons discussed herein, ProShares believes it would be appropriate for the Commission to extend this opportunity to commodity and currency-backed exchange traded funds whose shares are registered under the Securities Act of 1933, as amended, but which are not registered as investment companies under the 1940 Act. These products, referred to herein as “1933 Act ETFs”, operate in a substantially similar manner as 1940 Act ETFs, particularly with respect to the creation and redemption of shares.<sup>7</sup> As with interval funds, 1933 Act ETFs currently are not permitted to use the net issuance method. However, the characteristics and potential benefits put forth by the Commission as reasons to permit interval funds to pay registration fees on an annual net basis also apply to 1933 Act ETFs. In fact, because 1933 Act ETFs continuously issue and redeem shares on demand in a manner substantially similar to 1940 Act ETFs, the ability to pay fees on an annual net basis would perhaps provide even greater benefit to 1933 Act ETFs than it would to interval funds (which do not continuously offer their securities and have a more predictable redemption cycle). ProShares therefore urges the Commission to extend its modernization efforts to permit 1933 Act ETFs to register an indefinite number of shares and pay registration fees on an annual net basis.

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We thank you for the opportunity to submit this comment letter. Please feel free to contact me at (240) 497-6400 should you have any questions regarding this submission.

Very truly yours,



Richard F. Morris  
General Counsel

cc: The Honorable Jay Clayton  
The Honorable Robert J. Jackson Jr.  
The Honorable Hester M. Peirce  
The Honorable Elad L. Roisman  
William Hinman, Director, Division of Corporation Finance

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<sup>5</sup> *Id.* at 64.

<sup>6</sup> *Id.* at 65.

<sup>7</sup> ProShare Capital Management LLC, an affiliate of ProShares, currently serves as sponsor to a family of twenty 1933 Act ETFs with over \$2.2 billion in assets under management.