May 2, 2019

Brent J. Fields, Secretary
U.S. Securities and Exchange Commission
100F Street, NE
Washington, DC 20549-1090

Re: Comments to Proposed Rule 12d1-4, File Number S7-27-18

Secretary Fields:

I am writing in response to the SEC request for comments regarding proposed revisions to Rule12d1-4.

I have devoted my career to closed-end funds and believe I am one of the most senior active participants in the closed-end industry starting with a closed-end fund IPO in 1983.

The sentiment expressed on December 19, 2018 by then Commissioner Kara M. Stein stated at the Open Meeting on Proposed Rule 12d1-4 under the Investment Company Act of 1940 Governing Fund of Funds Arrangements, stated *"...it is tremendously important that we get this rule right. We must tailor the rule's conditions so that it, along with the overall fund of funds regulatory architecture, continues to protect investors. We simply cannot afford to let the problems of the past re-emerge."*

Unfortunately, the problems of the past have re-emerged and could be further compounded by the proposed Rule 12d1-4. The proposed rule can serve to further empower activists and lead to the acceleration and demise of a vital and proven structure in the investment industry.

Closed-end funds have already been effectively hijacked by hedge funds that circumvent ownership rules that Rule 12 (d) (1) (A) was designed to prevent in the first place. This has been described and documented by Rose F. DiMartino in The Investment Lawyer, Vol.26, No.1, January 2019, in an article Protecting Closed-End Fund Investors: A Call to Amend 1940 Act Section 12 (d) (1) (A).

In addition to the objective and valid observations Ms. Martino makes, I would like to make some additional points.

The background information offered in the proposed rule does not provide a true, historic basis and perspective of why Rule 12 (d) (1) (A) was promulgated in the first place, which was to provide protection for closed-end fund investors.

To apply proposal Rule12d1-4 to govern funds of funds is a mischaracterization. It is designed to safeguard closed-end funds, not to encourage funds of funds to continue to "pile on" and accelerate their demise.

The notion that closed-end fund investors play on a level playing field needs to be debunked. Complex strategies are deployed by activists, who limit their exposure by going long a targeted closed-end fund and short the underlying portfolio. Importantly, hedge fund participants are often accredited investors, not small retail shareholders who, unlike their hedged counterparts, remain exposed to the market as well as legal costs and distractions.

The following is an excerpt from *The Story Of Investment Companies* , by Hugh Bullock, Columbia University Press, New York, 1959: *"Remember that, at the end of 1929, of the public's investment of over $7 billion in the companies studied by the SEC, the vast bulk was in closed-end companies and what should strictly be called holding companies, most with multiple capital structure. There was a mere $140 million in open-end companies..."*

In 1929, there were nearly 700 closed-end funds and only about 19 open-end funds.

Closed-end funds have existed for centuries and provided vital financing for emerging markets. Closed-end funds supplied capital to help build the infrastructure in the United States railroads. Their historic mission has been to provide patient, fixed capital for long-term investment. This should not be exploited by opportunists with further short termism that undermines closed-end funds and their future potential to provide a meaningful role for capital formation.

Sincerely,

David Schachter

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