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Submitted Electronically

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

Re: Request for Comment on Novel ETFs; Release No. 33-11426; File No. S7-2026-24

Ladies and Gentlemen:

Morningstar is a leading provider of independent investment research and has a long history of advocating for transparency in global markets. Morningstar's mission is to empower investors to reach their financial goals. Because we offer an extensive line of products for individual investors, professional financial advisors, and institutional clients, and because our research teams have tracked the exchange-traded fund market extensively for decades, we bring a broad perspective to the Commission's Request for Comment on Novel ETFs (the "Request").[1]

Executive Summary

Morningstar appreciates the Commission's effort to examine how the regulatory framework should accommodate ETFs that pursue new asset classes and novel strategies. We support innovation in fund structures. The record of the past several years shows that the existing framework can accommodate novel products that serve investors well. That same record shows that certain product designs have predictably transferred value away from investors. The task before the Commission is not to decide whether to permit novelty, but to distinguish structures that deliver value to investors from structures that predictably do not. Our research indicates that difference is identifiable in advance, providing the Commission with statistical, empirical, and real-world evidence. We offer our evidence throughout this letter, with our detailed analysis set forth in Appendix A in response to the Commission's specific questions.

As a threshold matter, we urge the Commission to evaluate each category of Novel ETF on its own merits. The products grouped under this term have little in common: crypto assets, single-stock exposures, heightened leverage, private assets, and event contracts differ in the exposures they offer, the risks they present to investors, and in some cases whether they satisfy the Investment Company Act's definition of an investment company at all. Treating them as a single class would either burden the products that have served investors well or leave unaddressed the products that have not. Our findings and recommendations are accordingly organized by category and by the specific defect each category presents.

[1] Securities and Exchange Commission. 2026. Request for Comment on Novel ETFs. Release No. 33-11426; File No. S7-2026-24. July 2, 2026. https://www.sec.gov/rules-regulations/public-comments/s7-2026-24.

I. The investment company definition and fund labels should retain substantive meaning.

Morningstar believes a fund whose principal investment strategy is to hold assets that are not securities, such as event contracts, does not satisfy the Investment Company Act's definition of an investment company merely by holding itself out as one, and we recommend the Commission clarify this. The protections investors associate with the '40 Act wrapper should match the protections the wrapper actually provides. The same principle extends to product naming: we recommend the Commission adopt clearer naming requirements for exchange-traded products that are not registered investment companies, while recognizing that naming reform alone will not resolve investor confusion where these products are presented alongside registered funds on the same platforms and screens.

II. Portfolio conditions under rule 6c-11 should target product design, not novelty as such.

The record now permits the Commission to distinguish value-delivering novelty from value-destroying novelty by observable design characteristics. Certain categories of Novel ETFs have produced systematic investor harm that is structural rather than incidental: the median single-stock ETF lost 38% over the four years ended July 2026 while these funds collected over $500 million in management fees, 24% of all leveraged ETFs that launched more than three years ago have lost over 90% of their value,[2] and a covered-call ETF that gained almost 42% per year still left its investors with losses.[3] At the same time, defined outcome ETFs introduced a genuinely novel structure, have delivered on their stated objectives, and have been used well by investors, demonstrating that the existing framework can accommodate innovation that serves investors. We accordingly recommend the Commission evaluate portfolio-level conditions by reference to whether a product's stated objective is achievable by its structure, whether its returns depend on holding-period assumptions that investor behavior contradicts, and whether its costs are proportionate to any benefit delivered. Applying that framework, the Commission should not permit leverage beyond current levels.

III. Registration economics should require sponsors to bear the costs of their own launch decisions.

The current registration process misallocates costs: filing is nearly costless for sponsors while the consequences of failed products fall on investors. Of the 518 single-stock ETFs we studied, 13% have already closed, with the median closed fund losing 25% of its value and surviving 206 days. We recommend the Commission realign these incentives through a minimum upfront registration fee offset by rule 24f-2 payments, a requirement that authorized signatories specifically identify each new series in a filing, and automatic deregistration of funds that become effective but do not launch within 12 months. The Commission should also clarify that effectiveness should not precede a demonstrable ability to execute the stated strategy.

IV. Transparency should complement structural reform, not substitute for it.

Disclosure-based protections alone are not changing investor behavior. Single-stock and leveraged ETFs prominently disclose that they are designed for daily use, yet the median single-stock ETF in our study

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[2] Armour, B. 2026. "These 'Innovative' ETFs Have Been Disastrous for Investors." Morningstar. https://www.morningstar.com/funds/these-innovative-etfs-have-been-disastrous-investors.

[3] Ptak, J. 2025. "An ETF Gained Almost 42% a Year. Its Investors Still Lost Money." Morningstar. https://www.morningstar.com/funds/an-etf-gained-almost-42-year-its-investors-still-lost-money.

traded only 22% of its net assets over the trailing 30 days, indicating investors hold these products far beyond their design horizon in direct contradiction of the disclosed design. And behavior gaps persist even where no disclosure defects exist: from the January 2024 launch of spot bitcoin ETFs through June 30, 2026, we estimate the average dollar invested in these products lost roughly 5.8% per year while the ETFs themselves gained 8.5% per year in aggregate,[4] a gap driven by the timing of investor purchases and sales that no disclosure was designed to prevent. Disclosure is necessary to inform diligent investors and their advisors; however, the record shows that it cannot carry the weight of protecting investors alone. The Commission should therefore pair any structural reforms with heightened disclosure for Novel ETFs, including transparency into the layered costs of exposure obtained through special purpose vehicles. For the same reason, the Commission should not permit rule 485(a) filings to remain nonpublic; confidential filing windows would reduce the market transparency on which investors, researchers, and the press rely.

Conclusion

Morningstar appreciates the opportunity to comment on the Request. We support a regulatory framework that welcomes genuine innovation, and we urge the Commission to ground its next steps in the empirical record: clarify the boundary of the investment company definition, decline to expand leverage, realign the incentives of the registration process, preserve the transparency of the public file, and pair structural reform with disclosure investors can actually use.

We thank the Commission for the opportunity to comment. Should you wish to discuss any of the comments in this letter, please do not hesitate to contact either of us as indicated:

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[4] Ptak, J. 2026. "Mind the Gap 2026." Morningstar. https://www.morningstar.com/business/insights/research/mind-the-gap.

Appendix A: Answers to Selected Questions

Investment Company Status

Question 1: Would a Novel ETF meet the Subjective Test by "hold[ing] itself out" as an "investment company," and/or as "engaged primarily, or propos[ing] to engage primarily, in the business of investing, reinvesting, or trading in securities," notwithstanding that its principal investment strategy is to invest in assets that may not be securities? Is there a need for greater clarity about this aspect of the Subjective Test? Why or why not?

Morningstar believes that a fund whose principal investment strategy is to invest in assets that are not securities does not satisfy the Subjective Test merely by holding itself out as an investment company. The Subjective Test asks whether an issuer is, or holds itself out as being, engaged primarily in the business of investing, reinvesting, or trading in securities. Registration and self-description cannot substitute for the substance of that inquiry. If holding oneself out as an ETF were sufficient, the Subjective Test would lose independent meaning, because every registrant necessarily holds itself out as a fund. The nature of the issuer's assets and the source of its returns must remain central to the analysis.

Event contracts illustrate the concern. A fund whose principal strategy is to hold prediction-market contracts is not engaged primarily in the business of investing in securities, whatever its marketing materials state.[5] We do not raise this concern to oppose innovation. Products built on non-securities exposures have appropriate homes in other exchange-traded product structures that were designed for them. Stretching the definition of an investment company to accommodate these products erodes the protections the '40 Act wrapper is supposed to signal, to the detriment of investors in every registered fund. Greater clarity from the Commission on this aspect of the Subjective Test is warranted.

Question 2: Why would a Novel ETF with a principal investment strategy to invest in assets that are not securities seek to register as an investment company and be regulated as such (rather than as, for example, an exchanged-traded commodity trust or some other type of ETP)?

In our view, the '40 Act wrapper carries a signal of investor protection: independent board oversight, custody requirements, leverage limits, and standardized disclosure. That signal has commercial value precisely because investors rely on it. The Commission should ensure that the protections investors assume they have match the protections they actually have.

Our research on investor outcomes in exchange-traded crypto products shows why the distinction matters in practice. The iShares Bitcoin Trust ETF roughly doubled in value from its January 2024 inception through late November 2025, earning nearly 46% per year, while the average dollar invested in it earned about 11% per year, roughly one-fourth of the product's return, a gap driven largely by the timing of investor purchases and sales.[6] Our Mind the Gap research documents the same pattern across volatile

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[5] Ptak, J. 2026. "Know When to Fold 'Em: Why the SEC Should Reject Prediction-market ETFs." Morningstar. https://www.morningstar.com/funds/know-when-fold-em-why-sec-should-reject-prediction-market-etfs.

[6] Ptak, J. 2025. "A Bitcoin ETF Doubled in Value. Its Investors Made Only One-Fourth of That." Morningstar. https://www.morningstar.com/funds/bitcoin-etf-doubled-value-its-investors-made-only-one-fourth-that.

product categories: the more volatile the product and the more trading it invites, the less of its stated return investors actually receive.[7] Investors do not distinguish between wrappers when they buy these products on the same screens through the same brokers. That behavioral reality should inform how the Commission polices the boundary of the investment company definition.

Use of the "ETF" Label by Non-Investment-Company Products

Question 8: Some exchange-traded products (ETPs) that are not investment companies (e.g., exchange-traded commodity trusts) may use the term “ETF” (or “fund”) in their name or label themselves as ETFs. How do investors interpret this, and are there any implications for investor clarity?

Morningstar believes investors reasonably but incorrectly infer that exchange-traded products using "ETF," "fund," or "trust" in their names carry the protections of registered funds.[8] The Commission and FINRA have permitted ETPs that are not investment companies to use these terms, and the behavioral evidence described above indicates this confusion has measurable consequences for investor outcomes. We recommend the Commission adopt clearer naming requirements for exchange-traded products that are not registered investment companies. Morningstar has long advocated for naming conventions that accurately describe what investors are buying. We also urge the Commission to be realistic about what naming reform can accomplish. These products will continue to be presented to investors alongside registered ETFs on the same platforms and screens, whatever they are called. Naming consistency is one piece of a broader framework: the more consequential questions are which products are easily accessible to investors and what those investors are told at the point of decision. We address the disclosure dimension in our response to Question 26.

Rule 6c-11 and Investor Protection

Question 5: Do the assets and strategies of Novel ETFs present any questions regarding: a) the functioning of the ETF arbitrage mechanism and related secondary trading activity that supports it; b) investor protection; c) the maintenance of fair, orderly, and efficient markets, as well as any unique challenges to market surveillance necessary to support the ETF’s listing; or d) other structural or operational issues? Why or why not?

Morningstar data shows that the assets and strategies of certain Novel ETFs raise substantial investor protection concerns, and the record now permits the Commission to move beyond hypotheticals. Our study of 518 single-stock ETFs found a median cumulative loss of 38% over the four years ended July 2026, while these funds charged investors over $500 million in cumulative management fees. Nineteen percent of these funds have lost more than 75% of their value since inception, while only 18% outperformed their underlying stock.[9] Outcomes in leveraged products are worse. Twenty-four percent of all leveraged ETFs that launched more than three years ago have lost over 90% of their

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[7] Ptak, J. 2026. “Mind the Gap 2026.” Morningstar. https://www.morningstar.com/business/insights/research/mind-the-gap.

[8] Investment Company Names, Release Nos. 33-11238; 34-98438; IC-35000 (Sept. 20, 2023) [88 FR 70436, 70437 (Oct. 11, 2023)] (noting that a fund's name "is typically the first piece of information that investors receive" about a fund, and that fund names offer important signaling to investors assessing their options).

[9] Armour, B. 2026. “These ‘Innovative’ ETFs Have Been Disastrous for Investors.” Morningstar. https://www.morningstar.com/funds/these-innovative-etfs-have-been-disastrous-investors.

value, because the greater the volatility of the underlying exposure, the faster performance decays.[10] Our dollar-weighted analysis of 95 daily leveraged long ETFs found that nearly half delivered returns below the very stocks and indexes they were built to amplify, while investors paid more than $900 million in expenses over a single year for the privilege.[11] Covered-call and options income products show a related pattern: one such ETF gained almost 42% per year while its investors still lost money, because outsized return-of-capital distributions and poorly timed investor flows diverted the fund's stated returns away from the people who held it.[12] Leveraged products have also failed at their sole stated task. Our analysis of daily tracking performance found leveraged ETFs missing their daily objectives at a cost to traders measured in billions of dollars.[13] These outcomes are structural, not incidental. Volatility drag ensures that leveraged products held beyond their daily design horizon destroy value in volatile markets as a matter of arithmetic.[14]

The record also shows what successful innovation looks like. Defined outcome ETFs introduced a genuinely novel structure and have worked as designed, delivering on the terms they laid out, and our dollar-weighted analysis found the average dollar invested in buffer ETFs gained more than the ETFs themselves, evidence that investors have used them well.[15] These products involve real trade-offs, including capped upside and the possibility of trailing simpler, cheaper alternatives, and our research is candid about their limits.[16] But the contrast between buffer products and the leveraged single-stock cohort is instructive: the difference between value-delivering and value-destroying novelty is observable in product design before launch, not only in outcomes after the fact.

Question 6: Should rule 6c-11 be amended to address these or other questions with respect to Novel ETFs? For instance, should the Commission consider amendments addressing new portfolio requirements, such as minimum holdings in securities, restrictions from using certain strategies or investing in certain asset classes, or criteria such as specific diversification requirements, concentration limits, or issuer-specific limits? Why or why not? Or should the rule be amended to exclude certain assets or investment strategies? Why or why not?

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[10] Ibid.

[11] Ptak, J. 2025. "Why Leveraged ETFs Are for the Birds." Morningstar. https://www.morningstar.com/funds/why-leveraged-etfs-are-birds.

[12] Ptak, J. 2025. "An ETF Gained Almost 42% a Year. Its Investors Still Lost Money." Morningstar. https://www.morningstar.com/funds/an-etf-gained-almost-42-year-its-investors-still-lost-money.

[13] Ptak, J. 2025. "These ETFs Had One Job. They Didn't Do It, Costing Traders Billions." Morningstar. https://www.morningstar.com/funds/these-etfs-had-one-job-they-didnt-do-it-costing-traders-billions.

[14] See "Volatility Decay in Leveraged Exchange-Traded Products." SSRN. https://ssrn.com/abstract=5369417.

[15] Ptak, J. 2026. "Buffer ETFs Have Paid Off, but Investors Should Know Their Limits." Morningstar. https://www.morningstar.com/funds/buffer-etfs-have-paid-off-investors-should-know-their-limits.

[16] Evens, Z., & Tran, L.A. 2026. "Buffer ETFs Are Not for Everyone. Here's How to Use Them in Your Portfolio." Morningstar. https://www.morningstar.com/funds/buffer-etfs-are-not-everyone-heres-how-use-them-your-portfolio.

Morningstar believes any amendments to rule 6c-11 should impose portfolio conditions based on the design characteristics that separate successful novel products from failed ones, rather than exclusions of asset classes or strategies as such. The framework should ask whether a product's stated objective is achievable by its structure, whether its returns depend on holding-period assumptions that investor behavior contradicts, and whether its costs are proportionate to any benefit it can deliver. The defined outcome category demonstrates that products passing these tests thrive under the existing framework. The single-stock and heightened-leverage categories demonstrate what happens when they fail.

Applying that framework, the Commission should decline to permit leverage beyond current levels. Volatility drag and high costs are structural inefficiencies of leveraged products, and additional leverage compounds both. The cohort of leveraged funds that have already lost more than 90% of their value is the empirical record of what current leverage limits permit.[17] Permitting higher leverage would not expand investor opportunity; it would accelerate the value destruction the current record documents.

Investor Understanding

Question 7: Should the Commission consider any steps to help investors better understand the features of Novel ETFs? Are there steps the Commission could consider to help investors understand what distinguishes Novel ETFs from other ETFs?

We encourage the Commission to begin from the evidence that understanding-focused measures already exist and are not changing behavior. Single-stock and leveraged ETFs prominently disclose that they are designed for daily use. Yet the median single-stock ETF in our study traded only 22% of its net assets over the trailing 30 days, and day-to-day net assets and flows are stable, indicating that investors hold these products for extended periods in direct contradiction of the disclosed design.[18]

The gap between stated returns and investor outcomes is cross-category: crypto products where investors captured a fraction of returns, options income products where positive fund returns coexisted with investor losses, and single-stock products held far beyond their design horizon. The Investor Advisory Committee recognized this problem in its 2023 recommendation on single-stock and leveraged ETFs.[19] The record since then confirms the Committee's concern. We support improved disclosure, and we detail specific improvements in our response to Question 26. But the Commission should be explicit with itself about what disclosure can accomplish: it is necessary and it is not sufficient. Structural and economic measures of the kind discussed in this letter must do the work that disclosure alone has not done.

Registration Under Rule 485

Question 13: Some market participants have raised questions about Novel ETFs seeking to become effective before an asset class or instrument is available for investment. Is additional clarity needed

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[17] Armour, B. 2026. "These 'Innovative' ETFs Have Been Disastrous for Investors." Morningstar. https://www.morningstar.com/funds/these-innovative-etfs-have-been-disastrous-investors.

[18] Ibid.

[19] Investor Advisory Committee, Securities and Exchange Commission. 2023. Recommendation of the Advisory Committee on Single Stock ETFs and Leveraged ETFs. June 22, 2023. https://www.sec.gov/files/spotlight/iac/20230622-recommendation-single-stock-etfs-and-leveraged-etfs.pdf.

regarding rule 485(a) with respect to a Novel ETF becoming effective before its investment strategy can be implemented? Why or why not?

Morningstar believes the Commission should clarify that a registration statement should not become effective before the fund can demonstrably execute its stated strategy. Recent experience in private-asset ETFs illustrates the harm. Investors in one fund marketed around access to a prominent private company missed the gains the product was built to capture, because the fund could not obtain the exposure it advertised.[20] Another fund's structure created a liquidity crunch of its own making when its redemption obligations collided with the illiquidity of its holdings.[21] Where a fund's strategy depends on an asset class or instrument that is not yet available for investment, or on capacity the fund cannot demonstrate, effectiveness invites the sale of a product that cannot do what its prospectus says.[22]

Competitive Pressures and First-Mover Incentives

Question 17: Do market participants have concerns about competitive pressures that may incentivize sponsors to submit filings for Novel ETFs quickly and in rapid succession? If so, could such competitive pressures result in rushed or incomplete filings or the filing of many ETFs that never launch? Could such competitive pressures cause sponsors to attempt to repurpose unused series to take advantage of shorter waiting periods resulting in an unfair treatment of funds? Should we amend rule 485 to specifically address these concerns? Why or why not? For example, should the Commission amend its rules to require upfront payment of a minimum registration fee that may be subsequently offset by redemptions under rule 24f-2?

Morningstar recommends a thoughtful, methodical approach to the introduction of Novel ETFs. Strategies with long-term merit that serve a genuine investor need succeed under a deliberate process; only products that depend on speed and momentum are disadvantaged by one.

Investors should not bear the burden of managers' race to be first to market, yet our research shows that is the current allocation of costs. Of the 518 single-stock ETFs we studied, 13% have already closed. The median closed fund lost 25% of its value and survived just 206 days.[23] Filing is nearly costless for sponsors, while the consequences of failed products fall on the investors who bought them.

Accordingly, Morningstar encourages the Commission to adopt a minimum upfront registration fee, offset by subsequent payments under rule 24f-2. The Commission can realign these incentives without passing judgment on the merits of any particular strategy. A modest upfront fee is immaterial to a sponsor with a developed product plan and a genuine investor need in view, but it introduces meaningful discipline for sponsors filing large volumes of speculative products to reserve a place in line. Because the fee offsets

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[20] Ptak, J. 2026. "Lessons From a Private Markets Bust: Why This ETF's Investors Missed Out on SpaceX Gains." Morningstar. https://www.morningstar.com/alternative-investments/lessons-private-markets-bust-why-this-etfs-investors-missed-out-spacex-gains.

[21] Ptak, J. 2026. "An ETF Faces a Liquidity Crunch of Its Own Making." Morningstar. https://www.morningstar.com/funds/an-etf-faces-liquidity-crunch-its-own-making.

[22] Ptak, J. 2026. "Look Before You Leap When Investing in Private Funds." Morningstar. https://www.morningstar.com/funds/look-before-you-leap-when-investing-private-funds.

[23] Armour, B. 2026. "These 'Innovative' ETFs Have Been Disastrous for Investors." Morningstar. https://www.morningstar.com/funds/these-innovative-etfs-have-been-disastrous-investors.

payments the sponsor would owe in any event upon success, it would burden only the filings that were never developed to succeed.

Confidential Filing Windows

Question 18: Should the Commission allow rule 485(a)(2) filings to remain nonpublic for part of the 75-day period to promote innovation and reduce imitative filings? Why or why not? If yes, for how long?

Morningstar strongly believes that the Commission should decline to permit rule 485(a) filings to remain nonpublic. Public filing is a foundation of market transparency. Investors, researchers, financial advisors, and the press rely on the public file to scrutinize what products are coming to market, and that scrutiny disciplines product design before launch in ways that staff review alone cannot. The imitation the Commission identifies as a cost of public filing is also how markets compete: rapid competitive response to a well-designed product benefits investors through choice and price. A confidential window would suppress these benefits while structurally advantaging the largest sponsors, who retain visibility into the pipeline through their scale and relationships regardless of what the public file shows. Morningstar's decades of advocacy rest on the premise that transparency protects investors. We see no reason to depart from that premise here.

Series-Specific Identification

Question 19: To encourage filing only fully developed new series, should rule 485(a) require a fund's board or authorized signatories specifically to identify each new series included in the filing? Why or why not?

Morningstar recommends that the Commission require a fund's board or authorized signatories to specifically identify each new series included in a rule 485(a) filing. This is a low-cost accountability measure that parallels the existing requirement in rule 483(b) that a power of attorney relate to a specific registration statement.[24] Bulk filing of speculative series becomes harder when a named signatory stands behind each one, and the requirement encourages sponsors to file only products that are fully developed. Paired with the registration fee described above, it shifts the cost of the race to market back to the sponsors who choose to run it.

Funds That Become Effective but Never Launch

Question 21: Should the Commission take action with respect to funds that become effective but never launch? For example, should the Commission amend its rules to provide that such funds would be automatically deregistered after a defined period (e.g., 6 months)? Why or why not?

Morningstar believes the Commission should provide for automatic deregistration of funds that become effective but do not launch within 12 months**.** Registrations that go effective and sit unused are a byproduct of the same first-mover incentives described above: they warehouse a place in line at no cost to the sponsor while contributing nothing to investors or capital formation. We recommend a 12-month period rather than the six months the Commission suggests, to avoid penalizing legitimate launches

[24] Rule 483(b) under the Securities Act [17 CFR 230.483(b)] includes a similar provision requiring that a power of attorney relate to a specific registration statement filing.

delayed by market conditions, seed capital timing, or exchange listing logistics. A fund that cannot launch within a year of effectiveness should refile with current information, which is a modest burden that restores the connection between registration and a genuine intention to operate.

Heightened Disclosure for Novel ETFs

Question 26: Should the Commission consider changes to the ETF disclosure regime because of questions that Novel ETFs may raise? Should the Commission consider heightened disclosure requirements for certain Novel ETFs?

Morningstar encourages the Commission to adopt heightened disclosure requirements for Novel ETFs, including transparency into the layered costs of exposure obtained through special purpose vehicles. Where a fund obtains private-asset exposure through a Special-Purpose Vehicle (SPV) or similar intermediate structure, the costs of that structure are real, recurring, and largely invisible to investors, who see only the fund's headline expense ratio. Disclosure should identify the intermediate vehicles through which exposure is obtained, the costs embedded at each layer, and the total cost of exposure as the investor experiences it. This is a specific, operational improvement rather than a general call for more disclosure.

At the same time, the behavioral evidence discussed in our responses to Questions 5 and 7 should calibrate the Commission's expectations. The existing daily-use disclosures for single-stock and leveraged products are prominent, plainly worded, and demonstrably ignored. Heightened disclosure for Novel ETFs is necessary to give diligent investors and their advisors the information they need, and it complements rather than substitutes for the structural and economic measures discussed elsewhere in this letter.

Additional Reforms

Question 27: Are there additional reforms the Commission should consider to help facilitate innovation, while protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation?

Morningstar strongly believes that the most valuable additional step the Commission could take is to build its evaluative framework around the observable design characteristics that separate value-delivering novelty from value-destroying novelty. The record summarized in this letter shows both outcomes are identifiable in advance: defined outcome products whose structures could deliver their stated objectives have done so, while products whose objectives were arithmetically incompatible with how investors would foreseeably use them have transferred wealth from investors to sponsors. A framework attentive to that distinction facilitates innovation in the only sense worth facilitating: innovation that serves investors, maintains fair and orderly markets, and contributes to capital formation.