CAPITAL GROUP®

Capital Research and Management Company
333 South Hope Street
Los Angeles, California 90071-1406

thecapitalgroup.com

VIA ELECTRONIC SUBMISSION

August 31, 2026

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

Re: *Request for Comment on Novel Exchange-Traded Funds; File No. S7-2026-24; Release Nos. 33-11426, 34-105808, IC-36228*

Dear Ms. Countryman:

We appreciate the opportunity to respond to the U.S. Securities and Exchange Commission's request for comment regarding exchange-traded funds that seek to invest in innovative asset classes or engage in novel investment strategies (the "Request"). We commend the Commission for its continued support of responsible innovation and for its long-standing role in fostering a transparent, competitive and flourishing ETF market. The Commission's 2019 adoption of rule 6c-11 was an important milestone in that effort. It provided a consistent regulatory framework for ETFs, reduced unnecessary barriers to entry, and helped expand investor choice while preserving core investor protections. The Commission deserves credit for much of the responsible growth and innovation seen in the ETF market.

The Capital Group Companies, Inc. (“Capital Group”) is one of the oldest asset management organizations in the United States, with nearly 95 years of investment experience and over $3.6 trillion of assets under management. Through our investment adviser subsidiaries, we actively manage equity and fixed income investments across all market sectors in various pooled investment vehicles

and institutional client separate accounts. Most of these assets consist of the American Funds family of mutual funds and Capital Group ETFs, as well as other U.S. registered investment companies.

Capital Group launched its first ETFs in February 2022, and today manages over $150 billion in assets across 25 actively-managed ETFs in the equity, fixed-income and balanced categories. We believe an enduring ETF marketplace must foster innovation. However, the integrity of the ETF structure cannot be compromised simply to promote innovation. Over more than three decades, investors and market participants have developed clear expectations regarding the ETF vehicle and the protections associated with it. Rule 6c-11 further contributed to investor confidence that products offered as ETFs generally operate within a framework designed to support fair, orderly and efficient markets and to maintain a close relationship between secondary-market prices and net asset value. As ETFs with new investment strategies come to market, the relevant question is not whether a product is novel, but whether it remains consistent with the assumptions underlying rule 6c-11 and the streamlined relief it affords.

We broadly agree with the points made by the Investment Company Institute and the Securities Industry and Financial Markets Association in their respective comment letters in response to the Request. We write to underscore several of those points and to offer some additional perspectives based on our experience as an active ETF sponsor.

I. Innovation should be encouraged, with the market as the ultimate arbiter of success of an ETF strategy.

The Commission has long recognized that it is not a merit regulator. That principle is especially important in the ETF market where innovation has expanded investor choice and enabled investors to access exposures and strategies in a more transparent, exchange-traded format. We believe investors and the marketplace are generally best positioned to determine whether a product meets a legitimate investment need, provided that investors receive full and fair disclosure and the product operates within an appropriate regulatory framework.

Accordingly, the Commission should be cautious about limiting access to the ETF structure based on novelty or complexity alone. New strategies may be useful to different types of investors, and the marketplace is capable of distinguishing between products that meet investor needs and those that do not. A regulatory approach that discourages innovation simply because a strategy is new could unintentionally limit competition, reduce investor choice and constrain further development of the ETF ecosystem.

II. The relevant inquiry should not be whether an ETF strategy is novel, but whether it is consistent with the assumptions and expectations underlying Rule 6c-11.

While innovation must continue to be fostered, we do not believe this requires treating every investment strategy as equally compatible with the ETF structure. The ETF wrapper has become valuable precisely because investors have come to associate it with certain structural features and protections. Those expectations include exchange trading, effective creation and redemption processes, meaningful transparency, an arbitrage mechanism that supports secondary-market pricing, and regulatory oversight under the Investment Company Act of 1940, as amended, and related Commission rules, principally rule 6c-11.

Rule 6c-11 was designed to provide streamlined relief for ETFs that satisfy specified conditions. In adopting the rule, the Commission preserved separate treatment for ETF structures that present distinct legal, operational or investor-protection issues, such as unit investment trust ETFs, leveraged or inverse ETFs, share-class ETFs and non-transparent ETFs. The Commission's treatment of leveraged and inverse ETFs in relation to rule 6c-11 is particularly illustrative. At the time of adopting the rule, the Commission excluded leveraged and inverse ETFs from its scope, noting that, with their use of derivatives, periodic rebalancing and the resulting effects of compounding, these products "can result in performance that differs significantly from some investors' expectations" and are "complex products that serve a markedly different investment purpose than most other ETFs."[1]

[1] *Exchange-Traded Funds*, Investment Company Act Release No. 33646, Securities Act Release No. 10695, Exchange Act Release No. 87110, 84 Fed. Reg. 57162, 57188 (Oct. 24, 2019) (adopting rule 6c-11 under the Investment Company Act of 1940) (the "Rule 6c-11 Adopting Release"), at 27.

After further consideration of the risks associated with derivatives-based strategies, including the adoption of rule 18f-4's derivatives framework, the Commission determined that leveraged and inverse ETFs could appropriately rely on rule 6c-11 and amended the rule accordingly. This history suggests that, where an ETF's structure or investment strategy presents considerations not contemplated by the core assumptions of rule 6c-11 or otherwise raises material questions of first impression, additional regulatory analysis may be warranted before extending streamlined relief.

With the above in mind, we believe the appropriate inquiry for the Commission in evaluating innovative ETF strategies is not whether they are "novel" but rather whether they fit within the assumptions underlying rule 6c-11 and the core features relevant to ETF regulation. Not only would we struggle to define the term "novel" in a way that is both durable and objective, but subjecting products that meet any such definition to differential regulatory treatment would seem to hamper innovation, an outcome inapposite to the Commission's stated goals. Grounding the inquiry in the core premises and requirements of rule 6c-11 would allow for greater objectivity and predictability and, at the same time, be more consistent with what the market expects of the Commission.

III. Exchange-traded products that raise issues fundamentally different from those contemplated by rule 6c-11 may warrant exemptive review.

Certain products seeking to rely on rule 6c-11 may raise issues that challenge the assumptions underlying the rule. One important example involves the effective functioning of the ETF arbitrage mechanism. In adopting rule 6c-11, the Commission stated that the rule's conditions were "designed to facilitate an effective arbitrage mechanism" and that the relief provided by the rule is "based on the existence of a close relationship between [an ETF's] market price and net asset value."[2] The arbitrage mechanism is thus foundational to the ETF structure.

[2] Rule 6c-11 Adopting Release, at 35 and 38.

To be clear, the arbitrage mechanism does not require perfect price alignment at all times. ETFs may experience premiums, discounts or wider spreads, particularly in volatile markets or when underlying markets are closed. Nor does rule 6c-11 require that every ETF invest only in highly liquid, exchange-traded U.S. equities. Many successful ETFs invest in high-yield bonds, municipal securities, emerging market securities and other markets that may be less liquid or less transparent than large-cap U.S. equities. That said, in these markets authorized participants and other market participants can still generally value, hedge and transact in the underlying holdings or otherwise support the arbitrage mechanism. Where the nature of the underlying assets or ETF strategy materially impairs market participants' ability to engage in these activities which are central to an ETF's operations, we believe it is appropriate, if not necessary, for the Commission to evaluate whether rule 6c-11 applies and, if not, to require separate exemptive relief.

Questions regarding the arbitrage mechanism are not the only circumstances that may warrant separate exemptive review. We likewise believe additional review may be appropriate where an ETF serves a markedly different investment purpose than most other ETFs or raises market structure, operational or investor-protection considerations fundamentally different from those contemplated by rule 6c-11. Historically, ETFs have primarily been used to provide investors with exposure to securities, fixed income instruments, commodities, currencies, indices or investment strategies. Where a proposed product instead serves a materially different purpose — such as one whose economic return is driven primarily by the resolution of a specified event or contingency, rather than by the performance of an investment portfolio — or raises novel policy questions beyond those traditionally associated with ETFs, exemptive review provides an appropriate process through which the Commission and its Staff may evaluate those considerations prior to extending streamlined relief. This principle is reflected in the Commission's own historic distinction between products that fit within the traditional ETF framework and those that serve a markedly different investment purpose than most other ETFs.

IV. The Commission should remain open to innovation that is consistent with the core assumptions and expectations underlying the ETF structure.

The Commission's request appropriately focuses on whether certain products raise issues fundamentally different from those contemplated by rule 6c-11. At the same time, we believe the Commission should continue to facilitate innovation where the underlying policy concerns have already been substantively addressed through prior regulatory action.

For example, the Commission and its Staff have previously approved semi-transparent ETF structures and, separately, ETF share class structures. We believe there is a strong basis to consider whether a combination of those concepts can be implemented in a manner that satisfies the policy objectives underlying both regulatory determinations. Having concluded, on the one hand, that semi-transparent ETFs can operate consistently with investor protection and market integrity and, on the other hand, that ETF share classes may be appropriate in certain circumstances, we believe the Commission should be receptive to proposals that combine these features where the policy objectives and investor-protection principles underlying each structure can be effectively satisfied.

Similarly, we believe additional consideration should be given to permitting semi-transparent ETFs to pursue asset classes beyond U.S. equities, including fixed income and non-U.S. equity investments. The Commission's prior approvals of semi-transparent ETFs were appropriately predicated on the existence of an effective arbitrage mechanism notwithstanding reduced portfolio transparency. In our view, that inquiry should remain the relevant one. To the extent market participants can effectively value, hedge, and transact in the relevant exposures such that an effective arbitrage mechanism can function, we believe there is a sound policy basis for extending semi-transparent ETF structures beyond U.S. equity strategies.

Accordingly, just as we believe products that fall outside the assumptions underlying rule 6c-11 may warrant individualized exemptive review, we also believe the Commission should remain open to extending existing ETF innovations to new contexts where those same assumptions and investor-protection objectives have been demonstrated to remain intact.

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The ETF market has flourished in large part because the Commission has supported innovation through a framework that is transparent, efficient and grounded in investor protection. For over thirty years, that framework has enabled significant innovation while preserving investor confidence in the ETF vehicle itself. Maintaining that balance between innovation and confidence should remain a central objective of ETF regulation. The success of the ETF market depends on the trust that investors and market participants have come to place in the ETF label. Novelty should not be a barrier to ETF development; however, products that do not fit within the assumptions or expectations underlying rule 6c-11 or that raise issues fundamentally different from those contemplated by the rule should be subject to individualized review before receiving the benefit of streamlined relief. Conversely, where innovation can be demonstrated to operate consistently with those assumptions and investor-protection objectives, the Commission should remain open to expanding the ETF toolkit in ways that benefit investors and further the continued evolution of the ETF marketplace. We believe framing the inquiry around the assumptions of rule 6c-11 and the protections and market characteristics investors have come to expect from ETFs will help preserve the strength and reputation of the ETF vehicle while allowing responsible innovation to continue.

We appreciate the opportunity to respond to the Request. If you have any questions regarding our comments, please feel free to contact Scott Davis at (213) 615-0253, Erik Vayntrub at (213) 486-9108 or Clara Kang at (213) 615-3736.

Scott T. Davis
Head of ETFs and SMAs
Capital Research and Management Company

Erik A. Vayntrub
Senior Vice President & Associate General Counsel
Capital Research and Management Company

Clara Kang
Vice President & Senior Counsel
Capital Research and Management Company