PTG Driving Efficient Markets

SECURITIES • DERIVATIVES • DIGITAL ASSETS

August 31, 2026

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

Re: Request for Comment on Novel ETFs
Release No. 33-11426; 34-105808; File No. S7-2026-24

Dear Ms. Countryman:

PTG appreciates the opportunity to provide comments in response to the Securities and Exchange Commission's (the "Commission") request for comment on Novel ETFs, File No. S7-2026-24 (the "Release"). PTG is a trade association of principal trading firms ("PTFs") that commit their own capital to provide liquidity across equity, options, fixed income, cryptocurrency, event contracts, and futures markets.

The U.S. ETF market has grown into one of the largest and most significant segments of the registered fund industry. As of December 2025, 4,495 index-based and actively managed ETFs were domiciled in the United States, with total net assets of $13.4 trillion, representing approximately 30% of assets managed by registered investment companies.[1] As of June 2026, the U.S. ETF industry has seen year-to-date inflows of over US $1 trillion.[2] Within this market, some PTG member firms serve as registered and lead market makers in ETFs on exchanges, act as Authorized Participants ("APs") engaged in the creation and redemption of ETF shares, facilitate block-size ETF transactions, and provide off-exchange ETF liquidity to retail and institutional investors alike. These members play a central role in providing liquidity that drives price discovery and supports the arbitrage mechanisms underpinning the market. Given this experience, PTG offers its perspective principally on the functioning of the ETF arbitrage mechanism and the portfolio-related conditions of Rule 6c-11 as applied to Novel ETFs, and whether the pace and manner in which Novel ETFs are coming to market warrants additional delay in the registration process.

I. ETFs Have Successfully Democratized Access to Difficult-to-Access Asset Classes

ETFs have proven to be an extraordinarily effective vehicle for giving ordinary investors efficient, transparent, and low-cost access to asset classes that were previously gatekept or otherwise

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[1] *See* Investment Company Institute, *Frequently Asked Questions About Exchange-Traded Funds (ETFs)* (Apr. 22, 2026), https://www.ici.org/faqs/faqs_etfs_market.

[2] *See* Sumit Roy, *ETFs Cross $1 Trillion in 2026 Inflows*, ETF.com (June 29, 2026), https://www.etf.com/sections/weekly-etf-flows/etfs-cross-1-trillion-2026-inflows.

difficult for retail investors to access directly. By codifying more than two decades of individual exemptive orders, Rule 6c-11 removed unnecessary friction and delay from the process of bringing new ETFs to market, without sacrificing the investor protections those conditions were designed to preserve. The result has been an ETF marketplace that is more innovative, competitive, and efficient to the benefit of investors, issuers, and market makers.

PTG recognizes that Novel ETFs, which offer exposure to innovative asset classes or novel investment strategies, represent a fast-growing segment of the ETF market and test the boundaries of a regulatory framework that was not originally built with these asset classes and strategies in mind. Sections II through IV below address how the Commission should evaluate these products within the existing framework. PTG's overall view is that the current framework under Rule 6c-11, together with the Commission staff's ongoing review of registration statements, is generally functioning as intended.

II. A Well-Functioning Primary Market is the Foundation of a Well-Functioning Secondary Market

The Release asks whether Novel ETFs present issues around the arbitrage mechanism, investor protection, or market integrity that are distinct from other ETFs. In our view, the relevant question is not whether an ETF holds conventional securities or an innovative asset class or novel investment strategy, but whether its primary market functions reliably. A liquid, tightly priced secondary market depends on a well-functioning primary market. That reliability rests on three basic principles:

- **Adequate and symmetrical disclosure.** All market participants, not just ETF's market makers or Authorized Participants, should have equal access to information about a fund's portfolio composition and status of its arbitrage mechanism, including prompt notice of any disruption to the creation or redemption process.
- **An accessible creation and redemption process.** The primary market mechanism is most valuable when the secondary market is under strain. A fund structure that cannot reliably process creation and redemption orders during periods of volatility, regardless of asset class, undermines the arbitrage mechanism. When disruptions do occur, prompt notice to market participants is essential so that market makers can adjust their quoting and hedging accordingly.
- **Flexibility in how baskets are constructed and delivered.** The ability to use cash, in-kind, and custom baskets allows APs and issuers to adapt to the liquidity characteristics of the underlying assets. This flexibility is already a core feature of Rule 6c-11 and is more important for funds holding less conventional or less liquid assets.

These are the basic tenets of ETF market making that Rule 6c-11 already reflects but bear reiterating in the specific context of Novel ETFs. Rather than developing a bespoke regulatory regime keyed to particular asset classes, the Commission is better served by continuing to focus on these primary-market fundamentals applied consistently across all ETFs. A fund that satisfies these principles should be able to support a well-functioning secondary market, whether it holds equities, fixed income, an innovative asset class, or pursues a novel investment strategy.

III. The Arbitrage Mechanism and Novel ETF Assets

The Release raises questions regarding whether the assets and strategies pursued by Novel ETFs present challenges for the functioning of the arbitrage mechanism, investor protection, market surveillance, or other structural or operational issues. These challenges arise not from a fund's "novel" label, but from the liquidity, transparency, and price discovery characteristics of the fund's actual holdings. Illiquid underlying assets, assets that do not trade continuously, or assets with unreliable reference prices create challenges for APs and market makers constructing and pricing baskets, which can widen spreads and increase the frequency and magnitude of deviations between market price and net asset value ("NAV"). This is fundamentally a liquidity and transparency question rather than a question of asset class or investment strategy. Meanwhile, it's worth noting that market makers have decades of experience addressing liquidity and transparency challenges, and compete with each other to manage these challenges as efficiently as possible.

IV. Portfolio-Related Conditions Under Rule 6c-11

The Release also raises the question of whether Rule 6c-11 should be amended to address new portfolio requirements, such as minimum securities holdings, diversification or concentration limits, or restrictions on certain asset classes or strategies, specifically for Novel ETFs.

Rule 6c-11 was designed to be agnostic as to investment strategy, and that flexibility has been a significant driver of the competition and innovation the Release itself credits the Rule with enabling.[3] Rather than layering asset-class-specific conditions onto the Rule, the Commission's objectives would be better served by ensuring that the primary-market principles described above, disclosure, resilience of the creation/redemption mechanism, and basket flexibility are being satisfied in practice for any given fund. To the extent particular Novel ETFs cannot satisfy those principles, we would expect that to surface through the Commission staff's existing registration review process, rather than requiring a categorical, asset-class-based rule amendment.

V. The Pace of Novel ETF Filings

Finally, the Release raises a broader question of whether competitive pressure is causing sponsors to bring Novel ETFs to market too quickly, and whether the Commission should consider mechanisms, such as extended effectiveness periods, tolling, or expanded suspension authority to slow that pace for this category fund.

While some filings may be incomplete or rushed, the Commission should refrain from adding friction for Novel ETFs as a category. The automatic effectiveness framework in Rule 485 has functioned well for two decades because it gives sponsors predictability while preserving the staff's ability to intervene through comments, delay, or suspension where a filing raises concerns. To the extent staff review concerns remain, targeted tools such as clearer expectations around unresolved comments or a mechanism to toll effectiveness where a registrant has not responded to staff comments, are better suited to addressing them than a categorical extension of timelines that would also delay well-prepared, well-disclosed novel ETFs from reaching investors.

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[3] *See* Release, Section I ("The rule sets forth a consistent, transparent, and efficient regulatory framework for ETFs, which has led to greater competition and innovation among ETFs as well as increased investor choice.").

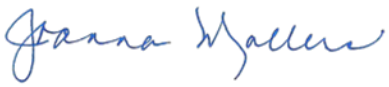
VI. Conclusion

Each new generation of ETF products has, at launch, looked unfamiliar and risky, only to become unremarkable within a few years. We encourage the Commission to resist organizing its analysis around the "novel" label and instead focus on the principles that already work well and apply them consistently as the market continues to evolve.

Please contact Joanna Mallers, at jmallers@ptgmarkets.org with any questions.

Sincerely,

PTG



Joanna Mallers
Secretary

cc: Paul S. Atkins, Chairman
Hester M. Peirce, Commissioner
Mark T. Uyeda, Commissioner