The SEC Says “No!” to Next-Generation ETFs

The exchange-traded fund (ETF) industry was dealt a setback this week. Two applications for next-generation actively managed ETFs were rejected by the Securities and Exchange Commission (SEC). Both applications (one of which iShares owner BlackRock was involved with) were for several ETFs that would have been actively managed but followed the less transparent mutual fund disclosure rules.

Had the SEC given its blessing, several new investment options in the ETF space would likely have been introduced. These ETFs would have provided direct competition to actively managed mutual funds. Presumably, such funds would have given you and me access to active management at a lower cost.

Instead, the SEC adamantly rejected the applications. The agency called the structure of the proposed ETFs “inherently flawed.” Ouch.

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