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## Eaton Vance gets SEC approval for 'managed ETFs'

By Editorial Staff    Thu, Nov 13, 2014

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*The SEC has just approved a request to list and trade exchange-traded managed funds on NASDAQ, and has issued a notice of intent to grant exemptive relief to permit offering of exchange-traded managed funds.*

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Eaton Vance Management, unit of Eaton Vance Corp., has been working to introduce an investment product it calls [NextShares](#), a type of open-end mutual fund that combines active management with the low costs and tax advantages of exchange-traded funds. But the launch has been waiting for action from the Security and Exchange Commission.

That wait is now over, according to Eaton Vance. This past week, firm announced the SEC's approval of the NASDAQ Stock Market's request to adopt a new rule governing the listing and trading of exchange-traded managed funds, and the SEC's intention to grant an exemption from certain parts of the Investment Company Act of 1940 to permit Eaton Vance Management to offer such funds.

Eaton Vance described NextShares and its benefits as:

- A new type of open-end fund that will list and trade shares on a national exchange at prices directly linked to the fund's next-determined daily net asset value (NAV), using a new trading protocol called "NAV-based trading."
- All orders to buy and sell NextShares will be executed at NAV plus or minus a market-determined trading cost (for example, -\$0.01, +\$0.02). All bids and offers for shares are quoted as a premium or discount to NAV, and trading prices may be above, at or below NAV.
- Because NextShares will let market makers earn reliable, low-risk profits without intraday hedging of their fund positions, they can be expected to trade at prices close to NAV in the absence of daily portfolio holdings disclosure.
- Because the trading cost to buy and sell NextShares (premium or discount to NAV) is explicitly stated, NextShares will provide investors with more transparency of entry and exit costs than exchange-traded products do.
- Sponsors of actively managed funds have to date largely avoided introducing their leading strategies as ETFs because the required daily holdings disclosures can facilitate front-running of portfolio trades and enable other investors to replicate the fund's portfolio positioning and exploit its research insights.
- By removing the requirement for daily holdings disclosures, NextShares could allow investors to access active strategies in a structure that provides the performance and tax advantages of an exchange-traded fund.

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