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REGISTERED INVESTMENT COMPANIES LOOK TO BLOCKCHAIN AND DIGITAL SECURITIES TO “PULL-FORWARD” AND MODERNIZE OFFERINGS

Registered investment companies are increasingly experimenting with blockchain to digitize their offerings in hopes of modernizing their shares and becoming a more attractive choice for investors in a crowded field. The process for offering, purchasing, and transacting in digital shares has the potential to evolve the distribution of securities offered by registered investment companies. A review of recent SEC filings helps us understand the application of blockchain technology to what have historically been routine securities offerings by registered investment companies.

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Recent filings of registration statements for digital securities offerings by registered investment companies (“Funds”) reflect a growing interest in utilizing blockchain technology for securities offerings. The distribution model for Funds, particularly mutual funds,¹ provides what many see as an ideal platform for the expansion of blockchain-based digital securities offerings. The battle for market share among mutual funds, closed-end funds, and exchange-traded funds, has been largely driven by structural changes to the issuance

and trading of fund securities, rather than the technology underlying fund securities offerings. Blockchain and digital securities are changing this by providing Fund managers with technology that can help differentiate their offerings. Funds are increasingly experimenting with blockchain to digitize their offerings in hopes of improving the functionality of their shares and becoming a more attractive choice for investors in a crowded field.²

¹ Laurin Blumenthal Kleiman, W. Hardy Callcott, Kenny S. Terrero, “*Distributing Mutual Funds Through Intermediaries: Practical Considerations Concerning Distribution Through Broker-Dealers, Fund Supermarkets and Retirement Plans*,” PLI Chapter 21 (September 2022).

² Brant Carson, Giulio Romanelli, Patricia Walsh, and Askhat Zhumaev, “*Blockchain beyond the hype: What is the strategic business value?*,” (June 2018). <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/blockchain-beyond-the-hype-what-is-the-strategic-business-value>.

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