

February 15, 2020

Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File No. S7-24-15

I am submitting comments on the SEC proposed rulemaking 18f-4, specifically paragraph V.D.3. Proposed Sales Practice Rules as set forth on page 400 of Release No. 34-87607, dated November 25, 2019.

I am a retail investor who manages my own investment accounts and retirement accounts.

I object to “due diligence” requirements that would impose an arbitrary financial wealth threshold or other false measure of investor sophistication. Such due diligence requirements would serve to restrict my choices as an active investor and interfere with my flexibility in selecting investment vehicles.

Occasionally, and sometimes frequently, I use leveraged and inverse funds as an important part of reaching my ROI goals and to protect my portfolio value in uncertain conditions. Leveraged and inverse funds provide the small investor with the opportunity boost investment returns. If the SEC were to limit my access to such funds, then only large investors would be able to improve their portfolio returns; and when only one class of investors has access to such tools, their benefits are achieved at the cost of poorer performance in the portfolios of those who have limited access to such tools. Leveraged and inverse funds provide the small retail investor with convenient enhancement tools that simply were not accessible before these products.

Like any other fund or individual stock, a leveraged or inverse fund lists its investment objectives and methodologies in its prospectus. However the day-to-day details of how a leveraged fund achieves its investment objective may change faster than the news reaches a retail investor. Therefore, in the long run, the performance of leveraged and inverse funds is judged by the free market. Analysts report on the success of the funds’ strategies under current conditions; and a retail investor such as myself can decide to continue with a fund or move on to a better investment vehicle. This selection process is the same for sector funds or index funds or individual stocks, none of which require any special sophisticated investor threshold before purchasing. This means that I am capable of understanding leveraged and inverse funds and their performance characteristics; and I certainly do not want a third party to evaluate my capability to do so or to place limitations on my access to such funds.

Sincerely,

Prafulla Morris, Investor
Beaverton, Oregon