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April 21, 2020

Via E-Mail

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

Re: File No. S7-24-15: Proposed Sales Practice Rules for Leveraged/Inverse Investment Vehicles

Dear Ms. Countryman:

SEI Investments Distribution Co. ("SEI")[1] is pleased to provide comments to the U.S. Securities and Exchange Commission (the "Commission") on proposed new rule 15l-2 under the Securities Exchange Act of 1934 and proposed new rule 211(h)-1 under the Investment Advisers Act of 1940 (together, the "Sales Practices Rules"). SEI fully supports the Commission's goal of investor protection; however, SEI is concerned that the Sales Practice Rules, as currently contemplated, are a departure from longstanding Commission precedent and the Federal Securities Laws' foundational principles of reliance on education and disclosure in the sale of publicly traded securities.

I. Executive Summary

SEI concurs with the views expressed by the Securities Industry and Financial Markets Association (SIFMA) that the Sales Practices Rules are contrary to public policy and may have a lasting negative effect on the industry.[2] More specifically, we believe that the Sales Practices

[1] SEI Distribution Co. (member SIPC) is the broker-dealer subsidiary of SEI Investments Company (NASDAQ: SEIC). SEI and its affiliates offer extensive investment services and products, including acting as distributor to a number of mutual funds and exchange-traded funds, some of which are Leveraged/Inverse Investment Vehicles (as defined herein). As of December 31, 2019, through its subsidiaries and affiliates, SEI manages or administers over $1 trillion in hedge, private equity, mutual fund and pooled or separately managed assets, including approximately $350 billion in assets under management and $680 billion in client assets under administration.[1].

[2] *See* Letter from Kevin Zambowicz, Securities Industry and Financial Markets Association (SIFMA), dated March 24, 2020 ("SIFMA Letter").

Rules should not apply to transactions in leveraged and inverse exchange-traded funds ("ETFs") and mutual funds (collectively, "Leveraged and Inverse Funds) for the following reasons:

1. The Sales Practices Rules would create overlapping and duplicative regulation with Regulation Best Interest (Reg. BI).

2. Registered investment advisers are already subject to the fiduciary duty of care, and applying the Sales Practices Rules to advisory accounts will unnecessarily limit clients from taking full advantage of the benefits of hiring a financial advisor.

II. Discussion

A. The Proposed Sales Practices Rules Would Place Addition Burdens or Potential Deviations from Reg. BI

We agree with SIFMA's view that the Sales Practices Rules would be redundant and unnecessary because "Reg. BI and FINRA Rule 2111 already require broker-dealers to conduct a suitability analysis for retail customers when the broker-dealer makes a recommendation."[3] Furthermore, we concur with the view that, with respect to unsolicited transactions, the proposal restricts an investor's autonomy and creates heavy operational burdens and increased costs for broker-dealers with little to no added benefit to customers.[4] Accordingly, we oppose the adoption of proposed Rule 15l-2.

B. The Proposed Sales Practices Rules Would Unnecessarily Disrupt the Relationship between Investment Advisers and Their Clients[5]

SEI believes that the Sales Practices Rules will impose unnecessary regulatory burdens on investment advisers. Proposed Rule 211(h)-1 would unnecessarily prohibit an investor from acquiring Leveraged and Inverse Funds *through an investment adviser* if the investor does not personally have the requisite "knowledge and experience." We agree with SIFMA's assessment that the proposal's "application to such accounts is incongruent with the premise behind having an advisory account; people who do not have the capacity or inclination to understand certain products can be advised by a financial professional who does."[6] Moreover, the proposal may create unnecessary confusion about an investment adviser's existing duty of care to clients–i.e., requiring specialized duties and obligations with respect to only certain types of recommendations. Accordingly, we oppose the adoption of proposed Rule 211(h)-1.

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[3] SIFMA Letter at pg 6.
[4] *Id.* at pg. 7.
[5] SEI does not make recommendations to our clients about whether to purchase Leveraged and Inverse Funds; however, we believe that investment advisers, within the framework of their established fiduciary responsibilities, are well-positioned to make recommendations concerning the use of any specific investment product within a client's overall investment portfolio.
[6] SIFMA Letter at pg 10.

III. Conclusion

Thank you for the opportunity to provide comments on the Sales Practices Rules. If you have any questions regarding our comments, please do not hesitate to contact me at [redacted] or Alexander F. Smith at [redacted]

Sincerely,

John C Munch

John Munch
General Counsel, SEI Investments Distribution Co.

cc: The Honorable Jay Clayton
The Honorable Hester Pierce
The Honorable Elad Roisman
The Honorable Allison Lee
Dalia Blass, Director, Division of Investment Management
Brett Redfearn, Director, Division of Trading and Markets