CAMBRIDGE

VIA ELECTRONIC MAIL: rule-comments@sec.gov

May 1, 2020

Mr. Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File No. S7-24-15 Use of Derivatives by Registered Investment Companies and Business Development Companies; Required Due Diligence by Broker-Dealers and Registered Investment Advisers Regarding Retail Customers' Transactions in Certain Leveraged/Inverse Investment Vehicles

Dear Secretary Fields,

Cambridge Investment Research, Inc. ("Cambridge") appreciates the opportunity to comment on proposed new rules contemplated under the Securities Exchange Act of 1934 (15l-2) and the Investment Advisers Act of 1940 (211(h)-1). We refer hereinafter to these two proposed rules as the "sales practice rules". We understand that these sales practice rules contemplate imposition of certain due diligence obligations on broker-dealers and registered investment advisers in connection with transactions in certain leveraged/inverse investment vehicles and involving retail customers.[1]

Cambridge appreciates and supports the U.S. Securities and Exchange Commission's ("SEC" or "Commission") continued focus on investor protection. Cambridge believes the best approach to achieve the Commission's objectives with respect to the sale and supervision of certain leveraged/inverse investment vehicles is to have broker-dealers and registered investment advisers implement their own policies and programs reasonably designed to protect investors investing in

[1] Cambridge recognizes that Release No. 34-87607 (File No. S7-24-15) solicits comments regarding provisions beyond just the sales practice provisions. However, Cambridge is not currently offering comment on those other aspects of the Release.

leveraged/inverse investment vehicles. Since firms each have their own unique business structures, it is most appropriate to allow firms to establish their own programs related to leveraged/inverse investment vehicles that protect investors in a way that is in line with each firms' business model rather than requiring them to exercise due diligence on a retail investor prior to approving the retail investor to invest in such products.

A concern noted in the proposed sales practice rules release is that retail investors may hold leveraged/inverse investment vehicle positions for an extended period. A potential alternative method to address this concern would be for firms to establish policies and procedures to perform review of purchases of leveraged/inverse investment vehicles and monitor for accounts holding these positions for an extended time period. The firm could then take steps as outlined in the firm's policies and procedures to address the extended holding of the leveraged/inverse investment vehicle position.

Another measure a firm could take to protect investors who invest in leveraged/inverse investment vehicles would be to deliver a disclosure document to investors upon their initial transaction in a leveraged/inverse investment vehicle. The disclosure document provided to investors could include information regarding leveraged/inverse investment vehicles, including disclosure of risks associated with the products. In this way, investors could have access to the information necessary to understand the products and the associated risks without requiring account approval prior to investors trading leveraged/inverse investment vehicles.

In addition to the above potential programs a firm could implement regarding leveraged/inverse investment vehicles, firms could require retail investors sign documentation that affirms their understanding of the products and the risks associated with those products. The acknowledgment could be signed by the retail investor at the time of the initial transaction in a leveraged/inverse investment vehicle, demonstrating the retail investor understands the products and risks. A firm could choose, if appropriate for that firm's business model, to obtain signed documentation affirming the retail investor's continued understanding of leveraged/inverse investment vehicles and their risks from retail investors on a periodic basis, with the firm to determine the frequency of such requirement.

The foregoing are a few examples of programs a firm could implement to protect investors investing in leveraged/inverse investment vehicles. There are other steps a firm could take and other programs a firm could implement to ensure investors are aware of the nature of leveraged/inverse investment vehicles and associated risks. Indeed, a firm could ultimately determine that performing due diligence on a retail investor and approving the retail investor to invest in leveraged/inverse investment vehicles is appropriate. However, a program that may be appropriate for one firm may not be appropriate for other firms. Rather than requiring firms to approve, in writing, retail investors to invest in leveraged/inverse investment vehicles as proposed in the sales practice rules, firms should be afforded the ability to establish their own policies and procedures regarding leveraged/inverse investment vehicles that are reasonably designed to protect

investors. Establishing their own reasonably designed programs would allow firms to protect retail investors who invest in leveraged/inverse investment vehicles while maintaining programs that are consistent with firms' business models.

Cambridge would be happy to discuss further any of the comments or recommendations outlined in this letter.

Respectfully submitted,

// Seth A. Miller

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