



May 1, 2020

VIA EMAIL

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Re: *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 (File No. S7-24-15) (Proposed Rule)*

Dear Ms. Countryman:

Eaton Vance Corp. (NYSE: EV), headquartered in Boston, provides advanced investment strategies and wealth solutions to forward-thinking investors around the world, with a history dating back to 1924. Through principal investment affiliates, Eaton Vance Management, Parametric Portfolio Associates LLC, Atlantic Capital Management LLC, Calvert Research and Management and Hexavest Inc. (collectively, Eaton Vance), Eaton Vance offers a diversity of investment approaches, encompassing bottom-up and top-down fundamental active management, responsible investing, systematic investing and customized implementation of client-specified portfolio exposures. As of March 31, 2020, Eaton Vance had consolidated assets under management of \$436.8 billion. Eaton Vance provides investment advisory and/or administration services to various Eaton Vance clients, including registered investment companies.

Eaton Vance appreciates the opportunity to comment on the Proposed Rule, which, as noted by the U.S. Securities and Exchange Commission (SEC), is designed to provide an updated and more comprehensive approach to the regulation of registered funds' use of derivatives and certain other transactions as described in the Proposed Rule.¹ We recognize and support the efforts of the SEC to address the investor protection purposes and concerns underlying Section 18 of the Investment Company Act of 1940, as amended (1940 Act). After reviewing the Proposed Rule, we join those commentators who have expressed support for Proposed Rule 18f-4 under the 1940 Act, which if adopted would permit risk-based leverage limits and other requirements for funds that use derivatives.² We believe the Proposed Rule, with certain modifications as noted below, will address the concerns raised by the SEC.

¹ We also note our belief that the Proposed Rule provides an improved solution and framework over the SEC's 2015 proposal. See *Use of Derivatives by Registered Investment Companies and Business Development Companies*, Investment Co. Act Rel. No. 31933 (Dec. 28, 2015).

² As a member firm of the Investment Company Institute (the ICI), Eaton Vance Management also supports the views expressed by the ICI with respect to the Proposed Rule.

I. The SEC Should Revise the Proposed Value-at-Risk (VaR)-Based Leverage Requirements

Eaton Vance supports raising the proposed leverage limits (currently 150% relative VaR and 15% absolute VaR) to levels that are currently in place under the Undertakings for Collective Investments in Transferable Securities (UCITS) Directive in Europe (currently 200% relative VaR and 20% absolute VaR).³ We believe increasing these limits would, among other things, provide consistency, particularly for investment advisers of both US retail mutual funds and investment funds compliant with the UCITS Directive, and also provide more flexibility for closed-end funds permitted to utilize leverage. In addition, Eaton Vance supports allowing funds to choose to comply with either the relative VaR limit or absolute VaR limit as opposed to choosing one limit in advance, regardless of whether the fund has a benchmark disclosed in its prospectus.

II. The SEC Should Permit a Cure Period Longer than Three days

Under the Proposed Rule, if a fund determines that it is not in compliance with its adopted VaR test (relative or absolute VaR) it must return to compliance within three business days. Eaton Vance strongly encourages the SEC to permit a cure period of at least five business days to allow for both verification and investigation of a potential breach (including any issues related to modeling) and, if needed, sufficient time to address the breach. Eaton Vance notes that the short cure period provided by the Proposed Rule appears inconsistent with the longer cure periods provided in new Rule 22e-4 under the 1940 Act (often referred to as the Liquidity Rule) for a breach of a fund's established highly liquid investment minimum (HLIM) and the much longer period to cure issues related to illiquid securities.

III. The SEC Should Not Require Public Disclosure of Derivatives Exposures and VaR Test Breaches

The Proposed Rule would require funds to publicly report on a delayed basis information regarding a fund's derivatives and short sale exposures and VaR test breaches. Eaton Vance strongly opposes the public dissemination of this information because it may be difficult for the general public to correctly interpret the data provided. Similar to the arguments against the proposed public disclosure of certain liquidity-related information proffered by many commentators in connection with the adoption of the Liquidity Rule, Eaton Vance believes there could be situations where two substantially similar funds report very different results due to modeling differences. Factors such as look back periods, decay factors, scaling methods, market data inputs, modeling equations, vendors used and other factors could result in significant differences reported. As many investors try to compare funds based on reported results, the proposed publicly available information could be misleading (and/or misunderstood) and funds may be potentially incentivized to report data to appear less risky.

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³ Eaton Vance Management serves as investment adviser to several UCITS funds.

Eaton Vance appreciates the opportunity to comment on the Proposed Rule. If you have any questions or wish to discuss the above comments further please feel free to contact me at [REDACTED].

Sincerely,

/s/ Payson F. Swaffield
Payson F. Swaffield
Chief Income Investment Officer

cc: The Honorable Jay Clayton (Chairman)
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman
The Honorable Allison Herren Lee

Dalia O. Blass
Director, Division of Investment Management