

December 22, 2022

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

Re: Outsourcing by Investment Advisers, File No. S7-25-22

Dear Ms. Countryman,

Dimensional Fund Advisors LP (“Dimensional”) appreciates the opportunity to comment on the US Securities and Exchange Commission’s (the “Commission”) proposal regarding Outsourcing by Investment Advisers (the “Proposed Rule”).¹ Dimensional is a registered investment adviser and together with its advisory affiliates, has approximately \$540 billion in global assets under management.² While we recognize that investment advisers have ongoing obligations to their clients when engaging service providers, we strongly oppose the Proposed Rule and urge the Commission to consider the impact of the Proposed Rule on service provider costs, which may ultimately be borne by funds and their investors.

I. The Proposed Rule is likely to result in increased costs for service providers, which may result in higher fees charged to advisers and their clients, including funds.

Because certain aspects of the Proposed Rule will indirectly impact service providers, we are very concerned that the fees charged by service providers will increase, which may affect fund expenses and diminish fund returns. For example, under the Proposed Rule, advisers will be required to obtain reasonable assurances from service providers that they are “able to, and will, coordinate with the investment adviser for purposes of the adviser’s compliance with the Federal securities laws”.³ In the Proposing Release, the staff suggests that advisers do this by obtaining “written assurances or written representations” that the service provider is “aware of the adviser’s obligations” under the Investment Advisers Act of 1940 (the “Advisers Act”).⁴ In effect, this provision of the Proposed Rule will extend aspects of Advisers Act compliance to service providers, unnecessarily increasing costs for service providers and their clients. In our view, asking a service provider—particularly one that is not itself subject to the Advisers Act—to represent that it is aware of the *adviser’s* obligations under Federal securities laws will inevitably result in the service provider charging more to take on these additional duties and obligations. Requiring service providers to give such assurances is also likely to give larger service providers a

¹ US Securities and Exchange Commission, *Outsourcing by Investment Advisers*, Release No. IA-6176 (Oct. 26, 2022) (the “Proposing Release”).

² As of September 30, 2022.

³ Proposed Rule 206(4)-11(a)(1)(v).

⁴ Proposing Release at 57.

competitive advantage and become a barrier to entry for new firms. These would be unfortunate unintended consequences of any new regulatory requirements.

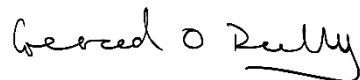
II. The Proposed Rule should not be adopted under Section 206.

We also strongly recommend that the Commission not adopt any rules regarding outsourcing under Section 206 of the Advisers Act. If adopted under Section 206, then each time the Commission finds that an adviser has not adequately followed all of the Proposed Rule's prescriptive due diligence and monitoring requirements, the adviser could be cited for engaging in fraudulent, deceptive, or manipulative conduct. We strongly believe that deficiencies in how an adviser selects and monitors its service providers should not constitute fraudulent, deceptive, or manipulative conduct.

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As with any new regulations, we believe it is essential to consider the costs to investors, and we urge the Commission to be mindful of the potential increase in costs to funds in considering whether to adopt rules governing outsourcing by investment advisers. If we can be of further assistance, please do not hesitate to contact Stephanie Hui, Lead Counsel, Global Public Policy and Vice President. We would welcome the opportunity to expand on our discussion of these issues.

Sincerely,



Gerard O'Reilly
Co-CEO and Chief Investment Officer