PARALLAX
VOLATILITY ADVISERS

May 1, 2019

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

Re: Comments to Proposed Rule 12d1-4, File Number S7-27-18

Dear Ms. Countryman:

We would like to take this opportunity to respond to the SEC's request for comment on proposed rule 12d1-4 (the "Proposed Rule"), specifically as it may apply to private funds. We are a registered investment adviser that advises private funds that rely on the section 3(c)(7) exemption from registration under the Investment Company Act of 1940 (the "Act"). As you know, such private funds are subject to certain limitations in section 12(d)(1) of the Act, but the proposed rule does not provide private funds with an avenue for relief from such limitations as it does for registered funds.

We encourage the SEC to include private funds in the scope of the Proposed Rule so that private funds may invest in the same manner and subject to the same conditions as registered funds. This would increase investment flexibility and level the playing field for private funds as well as broaden funding opportunities for acquired funds. We believe including private funds in the rule would clearly benefit investors and capital allocation across the market while maintaining investor protection to the same extent as registered funds.

Private funds often utilize ETFs as a cost effective hedge to other positions, such as a derivative or exposure to a specific market sector, and in doing so they are only looking to provide adequate and cost effective hedge protection to clients and are not interested in ETF influence or activism. By excluding private funds from the rule, the limitations in section 12(d)(1) may unnecessarily limit a private fund from providing adequate and cost effective hedge protection to their investors or from fully executing their investment strategy to the benefit of their investors. Allowing additional investments in ETFs by private funds would give private funds greater flexibility to meet investment objectives for their investors as well as increase liquidity and capital infusion into those ETFs and ultimately increase market efficiency.

In response to any concerns of undue influence or abuse that the Proposed Rule was designed to mitigate, we believe the conditions regarding the exercise of voting and redemption rights under the Proposed Rule should be equally effective if applied to private funds. Further, concerns about complex fund structures and fee layering should not be as significant in the private fund context because private fund investors must meet certain sophistication requirements.

Lastly, the proposal explains that private funds may not be included in the rule because they are not subject to certain reporting and recordkeeping requirements. We believe any reporting and subsequent monitoring of activity by the SEC could be incorporated into the already robust and frequent reporting framework that registered private fund managers are currently subject to. Form ADV and/or Form PF, could incorporate questions about the private fund's reliance on and compliance with the Proposed Rule. We also believe that record keeping requirements could be incorporated into the Proposed Rule that complement the related and relevant existing record keeping requirements in Rule 204-2 of the Advisers Act.

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If the SEC ultimately determines to exclude private funds from the rule, then it should allow private funds to exceed the limits in 12(d)(1) with respect to acquiring ETFs, subject to appropriate conditions. The SEC has already considered a similar approach in the March 2008 proposal that would have allowed fund of funds to acquire ETFs in excess of the 12(d)(1) limitations upon meeting certain appropriate conditions. We encourage the SEC to extend a similar avenue of relief for private funds today.

Thank you for your consideration of this comment letter. We would welcome the opportunity to discuss this matter with you in more detail or answer any questions that you may have.

Sincerely,

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