



22 West Washington Street  
Chicago  
Illinois 60602

Telephone: +1 312 696-6000  
Facsimile: +1 312 696-6001

August 12, 2015

Mr. Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-0609

Re: Release Number IA-4091; File Number S7-09-15; Amendments to Form ADV and Investment Advisers Act Rules

Dear Mr. Fields:

We thank you for the opportunity to comment on the Securities and Exchange Commission's (the "Commission") proposed amendments to Form ADV and the Investment Advisers Act Rules.

Morningstar, Inc. has three U.S. Registered Investment Advisor subsidiaries (Morningstar Associates, LLC, Ibbotson Associates, Inc., and Morningstar Investment Services, Inc.) that use Form ADV for reporting purposes to the Commission and to their clients. Morningstar, Inc.'s ultimate goal is to help the individual investor, which we strive to do by putting investors' interests above all else.

We appreciate the opportunity to respond to several of the Commission's questions below:

**A. Proposed Amendments to Form ADV**

**a. Information Regarding Separately Managed Accounts**

Morningstar, Inc. believes that complete and accurate disclosure, in an easy-to-understand format, always benefits investors. Therefore, we have no concerns with the Commission requiring that additional information about separately managed accounts be provided on Form ADV and agree that it will aid the Commission in its risk assessment and monitoring activities. We think annual updates to this information are appropriate, as more-frequent reporting may not provide a measurable benefit that will offset the time needed for advisors to comply with such reporting.

However, we would like to note that advisors may move in and out of the strategies listed on Form PF quite frequently, which could make reporting difficult or inaccurate over time. We urge the Commission to be thoughtful in drafting questions relating to this area.

**b. Additional Information Regarding Investment Advisors**

We do not believe that there are concerns with providing social media information for accounts used by a Registered Investment Advisor and agree that such disclosure will help the Commission monitor the types of activities carried out on social media and the platforms being used. However, we do not believe that investors review an advisor's Form ADV Part 1A filing, and therefore this information would not be useful to them. If the Commission's

objective is to disseminate this information to investors, Form ADV Part 2A may be a more reasonable place to list this information, although we believe most investors would be more likely to access an advisor's social media page(s) from links on an advisor's website.

We do not believe there is a benefit from asking advisors to report extended information on whether employees have social media accounts associated with the advisor's business on Form ADV Part 1A. Asking whether employees have social media accounts materially associated with the advisor's business (that is, more than "business card only" information) could provide a benefit as the Commission could then request and review this information during advisor exams. Such a review could benefit investors by ensuring that social media advertising is being carried out according to advertising regulations. However, we believe that identifying the number or percentage of employees who have such accounts is currently changing too frequently to make this an accurate representation for larger advisors and would not provide meaningful information to an investor. While this would only include reporting on Registered Investment Advisor representatives, requiring this information as part of an associated individual's Form U4 or Form ADV Part 2B may be more manageable for advisors and could provide more-specific information for the Commission.

Morningstar, Inc. understands the need for the Commission to have additional information on an advisor's office locations. For larger advisors, reporting all offices would require a substantial burden of time, although that burden would be eased after the initial reporting period. If a regulation to report all offices is implemented, we urge the Commission to provide clear explanations as to when this information needs to be updated—for example, as office locations are added or terminated, only upon the submission of an annual amendment, or upon the submission of an annual or other-than-annual amendment. We do not believe that the increase in reporting an advisor's largest office locations to 25 or even all locations on the Form ADV Part 1A would be helpful to investors. We do not believe that most investors regularly review (or even know how to access) an advisor's Form ADV Part 1A and therefore would not find this information useful.

We do believe there are some concerns with disclosing information regarding outsourced chief compliance officers but believe that the Commission may have addressed them by clarifying that this disclosure applies to chief compliance officers compensated or employed by any person other than the advisor or a related person. For many advisors, including the advisor subsidiaries of Morningstar, Inc., the chief compliance officer is employed by the parent firm and contractually provides services to the parent firm's affiliated advisor(s). Without additional information explaining the relationship, noting that the chief compliance officer is compensated by and/or employed by any person other than the advisor could cause confusion and/or undue concern. We urge the Commission to continue to stress that these questions relate to chief compliance officers that are employed by any person not related to the advisor.

While we do not have any concerns with the Commission's proposed changes, we would like to see more definitions added to this section to aid advisors in completing Item 5 accurately. For example, definitions are given for some, but not all, client categories in Item 5.D. It would be helpful to have a definition of what the Commission considers an "other" client type. It would also be helpful to have a list of common custodian account types and how they map to these client categories. For example, does a "guardian" account type map to the "individual" client type or to "other"?

**B. Proposed Amendments to Investment Advisers Act Rules**

**a. Proposed Amendments to Books and Records Rules**

We have no concerns with the Commission's proposal to require supporting documentation relating to the calculation and distribution of performance information for "any person" instead of "10 or more persons." We believe most advisors already maintain these records, and that it is in investors' best interest that all information provided to them be readily supportable. Our only concern is that digital copies of such information (including, but not limited to scanned, faxed, and emailed documentation) be considered an acceptable means of archival. We also assume that this proposed amendment covers performance information compiled by the advisor directly and would not include individual client statements sent directly from a qualified custodian.

Thank you again for allowing us to comment on this proposal.

Sincerely yours,

/s

Scott Cooley  
Director of Policy Research  
Morningstar, Inc.