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Director

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[redacted]

October 29, 2021

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
Washington, DC 20549-1090

Re: Request for Information on Digital Engagement Practices (File No. S7-10-21)

Dear Secretary Countryman:

The U.S. Chamber of Commerce's Center for Capital Markets Competitiveness (CCMC) appreciates the opportunity to share our views with the Securities and Exchange Commission (SEC) on its request for information (RFI) on "Broker-dealer and investment adviser digital engagement practices, related tools and methods, and regulatory considerations and potential approaches; information and comments on investment adviser use of technology to develop and provide investment advice,"[1] that additional regulation of digital engagement practices (DEPs) is unwarranted.

While we support the SEC's mission to protect investors and maintain fair, orderly, and efficient markets, we encourage the SEC to take a measured approach as it evaluates firms' use of DEPs and related tools and methods. In particular, we are concerned that the SEC may be singling out digital interactions. Regulatory over-reaction and an unnecessary rush by the SEC to regulate DEPs could lead to negative consequences for U.S. capital markets and harm the very investors the SEC seeks to protect. It is reasonable to expect that new regulation in this area would hamper innovation, potentially raise the cost of investing for retail investors, and discourage retail investors from investing altogether.

[1] Release Nos. 34-92766; IA-5833; File No. S7-10-21. RIN 3235-AN00 (August 27, 2021). https://www.sec.gov/rules/other/2021/34-92766.pdf

SEC staff recently issued a report on the "meme" stock trading frenzy that occurred in early 2021.[2] It is notable that the report included more of a discussion about issues largely unrelated to those events than it did about any potential regulatory gaps related to DEPs. The SEC should consider its own report and conclusions, including the absence of any specific issues related to DEPs, as it contemplates the need for future action in this area.

The U.S. capital markets are among the most fair, transparent, efficient, and innovative in the world. It is a positive development that investment firms innovate and leverage technology that has both benefitted American investors and encouraged new retail investors to invest. A wide range of technological advances over the past decades have transformed the way that people invest and have made our markets fairer and more accessible and inclusive. More Americans invest today because they have access to low or no fee online brokerage accounts. Technology and competition have dramatically reduced the cost of investing for investors and expanded investors' investment opportunities.

In addition, more recent technological advancements, such as DEPs, have helped more Americans to enter the capital markets. A hallmark of U.S. capital markets, and one CCMC whole-heartedly supports, is the availability of choice to retail investors. While many retail investors have traditionally opted to work with an investment advisor or broker-dealer, more and more retail investors prefer to invest through self-directed accounts, which allow them to have greater oversight and management over their investments and risk preferences.

No matter the type of account a retail investor has chosen, DEPs provide numerous benefits to retail investors. For example, they provide investors without access to employment-directed 401(k) accounts with tools and investor education that helps them carve a path to save for retirement and other major life goals. We agree that investor opportunity – interacting with financial firms using the latest technologies, being able to access the full range of investment options, and taking charge of one's financial future[3] – is critical and part of the SEC's longstanding mission. We caution the SEC against taking any regulatory action or issuing guidance that undermines investor choice and opportunity.

Not all DEPs are the same. Similarly, how firms and investment advisors use those DEPs in their interactions with retail investors also varies. We believe that existing SEC and Financial Industry Regulatory Authority (FINRA) rules are sufficient to guard against any manipulative or illicit activity related to DEPs. A regulated entity's obligations to its customers does not end simply because it engages with those customers through DEPs as opposed to other methods of communications.

For these reasons, additional regulation is not needed to address digital interactions. Instead, the SEC should rely upon its existing, robust regulatory framework to identify and address specific actions that may harm retail investors.

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[2] Staff Report on Equity and Options Market Structure Conditions in Early 2021 (October 18, 2021).

[3] Remarks of SEC Commission Hester M. Peirce at the Meeting of the Investor Advisory Committee on September 9, 2021. https://www.sec.gov/news/public-statement/peirce-iac-090921

We thank you for your consideration of these comments and would welcome a further dialogue on this topic.

Sincerely,

K. Malinconico

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U.S. Chamber of Commerce