

August 16, 2022

Ms. Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

VIA E-MAIL TO [RULE-COMMENTS@SEC.GOV](mailto:RULE-COMMENTS@SEC.GOV)

**Re: Comment Letter of Federated Hermes, Inc. on the Securities and Exchange Commission's Request for Comment on Certain Information Providers Acting as Investment Adviser (File No. S7-18-22)**

Dear Ms. Countryman:

Federated Hermes, Inc., and its subsidiaries ("**Federated Hermes**")<sup>1</sup> submit this comment letter to the U.S. Securities and Exchange Commission (the "**Commission**") regarding the Commission's request for comment on index providers, model portfolio providers, and pricing services (collectively, "**information providers**") acting as investment advisers.<sup>2</sup>

The Commission requests comments on, among other things, whether:

- information providers "whose activities, in whole or in part, may cause them to meet the definition of "investment adviser" under the Investment Advisers Act of 1940" (the "**Advisers Act**"); and
- information providers meet the definition of being an "investment adviser" to an investment company (each a "fund", collectively, the "funds") under the Investment Company Act of 1940 ("**1940 Act**").

Federated Hermes fully supports the comments and concerns of the Investment Company Institute ("**ICI**") as set forth in its comment letter dated August 16, 2022 (the "**ICI Letter**"). In addition to other ICI comments, like the ICI:

- We question the merits of regulating information providers as investment advisers as the Request does not adequately identify any harm that requires a remedy. Information providers provide information to registered investment advisers who use such information, subject to their fiduciary duties, in managing client accounts. In the case of funds, information providers also provide information to other service providers (e.g., custodians in the case of pricing services) who use the information, subject to Board and investment adviser oversight, in providing valuation and other services to the funds. Further, such information is often confirmed through routine audits performed by independent auditors. Therefore, the use of information providers' products and services is already subject to thorough oversight and regularly scrutinized by sophisticated entities regulated by the Commission. Information providers do not need to be regulated as registered investment advisers under either the Advisers Act or 1940 Act.

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<sup>1</sup> Federated Hermes, Inc. (NYSE: FHI) is a global leader in active, responsible investment management, with \$631.9 billion in assets under management as of June 30, 2022. We deliver investment solutions that help investors target a broad range of outcomes and provide equity, fixed-income, alternative/private markets, multi-asset, and liquidity management strategies to more than 11,000 institutions and intermediaries worldwide. Our clients include corporations, government entities, insurance companies, foundations and endowments, banks, and broker-dealers.

<sup>2</sup> Release IC-34618; Request for Comment on Certain Information Providers Acting as Investment Advisers (June 15, 2022) at <https://www.sec.gov/rules/other/2022/ia-6050.pdf> (the "**Request**").

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- We do not think deeming information providers to be investment advisers under the Adviser Act will serve any regulatory purpose or improve the quality or cost-effectiveness of the information providers' products and services. In each case, any benefits of regulation would be modest, at best, and would generate significant upfront and ongoing costs, which would likely be passed on to clients and fund shareholders and outweighs any benefits. We are also concerned that any rule on information providers could be construed to apply beyond index providers, model portfolio providers, and pricing services, and have unintended consequences and further increase upfront and ongoing costs that would also likely be passed on to clients or fund shareholders with little or no benefit.
- We strongly oppose deeming information providers to be investment advisers under the 1940 Act. We do not believe information providers meet the definition of "investment adviser" under the 1940 Act. Among other reasons, information providers do not furnish advice to funds regarding the desirability of investing in, purchasing or selling securities or other property and they are not empowered to determine what securities or other property shall be purchased or sold by the fund. They also do not perform substantially all of the duties undertaken by a fund's investment adviser. Information providers, such as pricing services or index providers, also generally provide information through uniform publications to their customers or provide statistical or other factual information but without generally furnishing advice or making recommendations regarding the purchase or sale of securities.

Finally, we support that ICI's comments regarding the consequences of deeming information providers to be investment advisers. There would be significant costs for funds and their investors and unnecessary burdens on fund operations for little to no improvement on the overall protection to investors. Further, should information providers be required to register as investment advisers under the 1940 Act, pursuant to Section 15 of the 1940 Act, shareholder and board approval would be required to onboard or change information providers, unless exemptive relief is provided. Applying the 1940 Act's restrictions on affiliate transactions also could restrict the information providers with whom funds could transact and conduct business in the ordinary course. Subjecting information providers to regulation as investment advisers would be unnecessarily burdensome, costly, and potentially harmful to investors, as well as potentially result in fund boards being hesitant to change information providers.

Federated Hermes appreciates the opportunity to comment on the Request. Please let us know if you have any questions or comments on this submission.

Sincerely,



Peter J. Germain  
Chief Legal Officer

cc: The Honorable Gary Gensler  
The Honorable Caroline A. Crenshaw  
The Honorable Jaime Lizárraga  
The Honorable Hester M. Peirce  
The Honorable Mark T. Uyeda

William A. Birdthistle - Director, Division of Investment Management  
Sarah ten Siethoff - Deputy Director Division of Investment Management

Susan Olson - General Counsel, Investment Company Institute