Dimensional Fund Advisors LP
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August 12, 2022

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

Re: Request for Comment on Certain Information Providers Acting as Investment Advisers, File No. S7-18-22

Dear Ms. Countryman,

Dimensional Fund Advisors LP ("Dimensional") appreciates the opportunity to respond to the US Securities and Exchange Commission's (the "Commission") Request for Comment on Certain Information Providers Acting as Investment Advisers.[1] Dimensional is a registered investment adviser and manages 147 registered mutual funds and exchange-traded funds in the US.[2] As the Commission considers whether index providers, pricing services, and model portfolio providers should be required to register as investment advisers, we urge the Commission to keep top of mind the likely downstream impact any such additional regulation will have on funds and the costs that will be borne by fund investors, thereby diminishing fund returns.

I. Index Providers

In particular, we are extremely concerned that if index providers are regulated as investment advisers, the costs to funds—and ultimately fund shareholders—of licensing indices will increase. This is a concern for all funds, not just funds that track an index. Currently, the Commission's rules require funds to include in their prospectuses and annual reports a comparison of the fund's performance versus an "appropriate broad-based securities market index," and the rules only permit funds to use indices that are "administered by an organization that is not an affiliated person of the [f]und, its investment adviser, or principal underwriter, unless the index is widely recognized and used."[3] This Commission-imposed restriction on index selection forces most fund complexes to license broad-based securities market indices from third-party index providers. Like most other fund complexes, Dimensional funds have experienced significant increases in index licensing fees every few years, in some cases equivalent to double digit year-over-year increases. We believe that regulatory requirements, plus the limited number of appropriate index providers, have hampered the funds' ability to negotiate these licensing fees on behalf of fund investors. If index providers are required to register as investment advisers, it seems inevitable that some of the costs that index providers will incur in being regulated by the

1 Securities and Exchange Commission, *Request for Comment on Certain Information Providers Acting as Investment Advisers*, Release Nos. IA–6050; IC-34618 (June 15, 2022).
2 As of the date of this letter.
3 Form N-1A, Item 27(b)(7), Instruction 5.

Commission will ultimately be borne by registered funds and their shareholders, which would diminish the competitive advantage of registered funds. Furthermore, requiring index providers to be regulated as investment advisers would be an additional barrier to entry in an already concentrated market and may discourage new entrants. These would be unfortunate unintended consequences of new regulations.

If the Commission determines that the perceived benefits of regulating index providers as investment advisers will outweigh the predictable costs that will be borne by investors, we strongly urge the Commission to concurrently revise its requirement that funds compare their performance against a broad-based securities market index. For example, the Commission could permit funds to compare their performance against an affiliated index, subject to conditions designed to prevent the fund or its adviser from inappropriately influencing the index. In our view, giving funds more options when selecting a comparative index could increase competition among index providers and drive down the cost of licensing indices—a good outcome for funds and investors.

II. __Pricing Services__

For similar reasons, we strongly oppose requiring pricing services to register as investment advisers. If pricing services are regulated as investment advisers, it seems inevitable that some of the costs will ultimately be borne by funds and their shareholders. Funds use pricing services to value portfolio securities, and the fee structures vary. For example, the cost of a pricing service may be included in the fees paid by a fund to its accountant, or the fund may directly pay a separate fee for certain pricing services. It is also a common practice for funds or advisers to purchase duplicative pricing information in order to compare and verify the accuracy of the valuation of securities using multiple sources. Particularly when broadly diversified funds hold thousands of securities, pricing information is costly, and we believe it is likely that such costs would increase if pricing services are regulated as investment advisers. For these reasons, we strongly oppose requiring pricing services to register with the Commission.

III. __Model Portfolio Providers__

Finally, we oppose requiring model portfolio providers to be regulated as investment advisers. Financial advisors, wealth managers and other financial professionals use model portfolios as a helpful tool when providing advisory services. Since model portfolios are often provided for free or low cost, they are a valuable and cost-effective resource for financial intermediaries to use for the benefit of their clients. However, if model portfolio providers are regulated as investment advisers, or required to assume additional liability with respect to the models that they provide to financial intermediaries, we believe it is likely that such models will no longer be provided for free or low cost. Some model providers might even determine that it is not worth the additional liability to offer models at all, reducing the availability of useful models. We believe investors would be harmed if new regulations resulted in increased costs or reduced availability of an existing, valuable resource, and therefore we urge the Commission not to require model portfolio providers to register as investment advisers.

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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 costs to funds and their investors as it considers whether index providers, pricing services, and model portfolio providers should be required to register as investment advisers. If we can be of further assistance, please do not hesitate to contact Stephanie Hui, Vice President and Counsel. We would welcome the opportunity to expand on our discussion of these issues.

Sincerely,

Gerard O Reilly

Gerard O'Reilly
Co-CEO and Chief Investment Officer

Catherine L. Newell
General Counsel and Executive Vice President