

September 9, 2022



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

Submitted via email: rule-comments@sec.gov

Re: Request for Comment on Certain Information Providers Acting as Investment Advisers (Release Nos. IA-6050; IC-34618; File No. S7-18-22)

Dear Ms. Countryman

The Bond Pricing Institute (BPI) a division of the Bond Dealers of America appreciates the opportunity to provide the Securities and Exchange Commission (“SEC” or the “Commission”) with our comments regarding the Commission’s Request for Comment on certain information providers, including pricing services, and whether and to what extent their activities may cause them to meet the definition of an “investment adviser” under the Investment Advisers Act of 1940.

The mission of the BPI is to promote professionalism and best practices in fixed-income securities pricing through advocacy, education, and communication. Improved pricing and valuation of fixed income securities to benefit investors is our primary focus.

This letter comments on the activities of Pricing Services and has nothing to say about Index or Model Portfolio providers. The BPI, and many of its members are concerned that the comment exercise means that the SEC is planning to require Pricing Services to register with the Commission as Investment Advisers. We question the rationale behind this initiative and believe that this would not be in the interests of investors or the industry as a whole.

Several points are worth highlighting to support this view:

1. Pricing Services provide 'impersonal' opinions on the value of securities based on market derived inputs and assumptions. They do not make any projections on the future direction of values, nor do they advise on whether these levels are 'rich' or 'cheap'. There is no suggestion that users either buy, hold, or sell such securities.
2. There is a clear distinction between those Pricing Services who provide agnostic opinions of the value of specific securities and valuation consultants or specialists. The latter process is much more subjective and relies more heavily on management input.
3. Pricing Services fees are not dependent on the levels of the price/valuation data supplied nor the way that this is used.
4. Pricing Services currently have policies and procedures in place to deal with potential conflicts of interest where the providers or their personnel hold investments they value.
5. Pricing Services also address potential conflicts of interest that may arise during their relationships with clients or users of their services. Specifically, there are strong policies and procedures that govern: a) price challenges and the results of any subsequent adjustments, and b) choice of models and assumptions.
6. While some Pricing Services have chosen to register with the Commission as Advisers, we do not believe that this should be a precedent for a general regulatory requirement for all Pricing Services.

In conclusion, we strongly believe that requiring Pricing Services to register as investment advisers would have significant economic costs for investors and would stifle innovation and increase the cost of entry by smaller providers. Such regulation has the strong potential to drive smaller providers out of the market, thus reducing competition and restricting the flow of critical market information to the detriment of investors. In our opinion, this impact would not be offset by any appreciable enhancement of investor protection.

We appreciate the opportunity to comment on this issue and would be pleased to discuss any questions that you may have.

Sincerely Yours

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Director, Bond Pricing Institute

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