March 3, 2020

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

Re: File Number S7-21-19

Wealthfront Advisers LLC ("Wealthfront") appreciates the opportunity to comment on the proposed amendments to Rule 206(4)-1 ("Advertising Rule") and Rule 206(4)-3 ("Solicitation Rule") under the Investment Advisers Act of 1940 ("Advisers Act") (collectively, the "Proposed Rules" or the "Proposals").[1] We commend the SEC Commissioners and the Commission Staff for seeking to make improvements to the Advertising Rule and the Solicitation Rule. These Rules have not been significantly amended in nearly 40 years, and require updating to accommodate social media's power in reaching a broader audience than ever before.

I. Background

Wealthfront is an investment adviser registered with the SEC. Our goal is to democratize access to sophisticated financial advice. To do this, we are building a platform to fully automate and optimize our clients' financial needs.

To date, we have successfully attracted nearly 380,000 investment and brokerage clients. Wealthfront Advisers LLC has nearly $15 Billion of assets under management, and, together with cash sweep account balances in our broker-dealer, Wealthfront clients have entrusted us with over $23 Billion.

We automate time tested, peer reviewed portfolio management strategies to deliver a service that offers low account minimums and fees lower than traditional investment advisers.[2] Our account minimum is $500, and we charge a flat annual advisory fee of

[1] *See* Investment Adviser Advertisements; Compensation for Solicitations, Investment Advisers Act Release No. 5407 (Nov. 4, 2019). Available at https://www.sec.gov/rules/proposed/2019/ia-5407.pdf.
[2] The median advisory fee in the first quarter of 2019 was approximately 0.98%. Wealthfront's advisory fee is 0.25%. Source: RIA in a Box 2019 RIA Industry Study.
Available at: https://www.riainabox.com/blog/2019-ria-industry-study-total-average-fee-is-117.

0.25%. We do not charge our clients any commissions or fees for trades. We also neither use proprietary trading algorithms nor attempt to pick and choose individual securities that theoretically are thought to outperform the market. We do not engage in this practice because academic research has shown that it is almost impossible to outperform the market over the long term.[3] Instead, we pursue passive investment strategies pioneered by our Chief Investment Officer and Princeton Professor Emeritus, Burt Malkiel. Specifically, we offer a diversified and rebalanced portfolio of low-cost index-based ETFs, personalized to the risk tolerance of each of our clients.

While we employ a team of client service representatives to provide clients with technical support, **Wealthfront offers financial services exclusively online**. We do not employ investment adviser representatives or financial advisers to provide financial advice to clients.

Wealthfront reaches an important demographic sector of the population that has historically been underserved by traditional asset managers—young adults who are in the early stages of wealth accumulation. We provide them with an online service that charges low fees and does not require high investment minimums so that they can have the opportunity to achieve financial security at a faster pace than they otherwise could in light of the barriers imposed by traditional investment advisers.

We achieve our goal of democratizing access to sophisticated financial advice by relying on word-of-mouth and on online and social media advertising, a technological platform that did not previously exist and that, naturally, the Commission would not have considered when it adopted the existing version of the Proposed Rules.

II. Online Advertising

The online advertising world has gained tremendous share of the overall advertising market since it began in 1995. By 2016, internet advertising expenditures exceeded television advertising expenditures. In 2018, advertisers spent approximately $107 billion on online advertising as compared to only $70 billion on television advertising.[4] The success of internet advertising can be traced to its enormous advantage in cost to acquire customers and certainty in delivering that cost.

[3] "Over longer-term horizons (10 and 15 years), at least 80% of active managers underperformed their respective benchmarks across all domestic equity categories." SPIVA® U.S. Scorecard, June 2019. Available at: https://www.spindices.com/documents/spiva/spiva-us-mid-year-2019.pdf.

[4] Source: PwC, IAB/PwC Internet Ad Revenue Report, FY 2018. Available at: https://www.iab.com/wp-content/uploads/2019/05/Full-Year-2018-IAB-Internet-Advertising-Revenue-Report.pdf.

Unlike traditional media, internet sites enable advertisers to narrowly target the customers who are most likely to buy their products. For example, if you browse a real estate website such as Zillow or Trulia, your internet browser would log that activity.[5] Based on that activity, the leading internet advertising platforms can determine whether you are in the market to purchase a home and would then show you advertisements from mortgage lenders that are offering competitive mortgage rates.

The ability of advertisers to focus their spending on a targeted set of receptive consumers from the broad universe of web users leads to a much lower cost to acquire each customer. This cost advantage offered by internet advertising platforms is amplified by the way they charge for their service.

Traditional off-line advertising platforms like television, newspapers and magazines charge for their advertisements based on the number of impressions they are likely to generate (whether they are relevant impressions or not). In industry jargon this method of advertising is known as "CPM" (for cost per thousand impressions). In the late '90s internet advertising platforms took advantage of their superior ability to track users' behavior by charging on a "CPC" basis (cost per click). CPC eliminated spending wasted on advertisement viewers who were not interested or relevant. By the year 2000, internet advertising platforms further pressed their advantage by moving to charge for advertisements that resulted in a sale. This is known as "CPA" or cost per acquired customer billing. Today CPA is the dominant form of internet advertising and has made it extremely difficult for traditional media to compete.

In order to generate revenue by charging for advertisements that result in sales, internet media platforms have spent large sums of money developing models that predict whether a particular advertisement will convert to a sale. Accordingly, they will only display collateral they are confident will work. Because the decision to run an advertisement is based on an algorithm that evaluates the likelihood of its success based on such platform's past experience, it is not possible to negotiate with a sales representative of the internet media platform to run what the algorithm perceives will be a non-performing advertisement.

For example, Google has determined that advertisements that contain too much text perform poorly. Therefore, Google will deny advertisements that contain more than their prescribed 285 individual characters (not words) that advertisers can place on an image.[6]

[5] Such tracking is generally done in accordance with customer set privacy settings and dependent on the customer's internet browser of choice.
[6] *See* About text ads. Available at: https://support.google.com/google-ads/answer/1704389.

Google also has determined that advertisements of insufficient editorial quality will not perform well, and will therefore deny advertisements that (*i*) do not use commonly accepted spelling and grammar, (*ii*) utilize non-standard punctuation, (*iii*) incorrectly utilize capitalization, (*iv*) are of insufficient image quality, or (*v*) suffer from other editorial short-comings as defined by Google.[7] Advertisers who fail to meet Google's advertising policies may be subject to advertisement denial, account suspension, and/or further review for effectiveness.[8]

Advertisers are not able to get a particular collateral displayed solely by bidding a high price. The online advertising platform's software will evaluate the price offered against the likelihood the collateral will result in a sale. In other words, if the advertising platform does not think an advertisement will convert then it will not accept it, even if an above-market price is offered.[9]

The barriers presented by the Proposed Rules would ultimately stymie the ability for RIAs to advertise online. Wealthfront—like many other startup companies—relies heavily on its ability to use online advertising to compete with well-established investment advisers with bigger marketing budgets and higher advisory fees. We hope the Commission's final Advertising Rule will be drafted in a way that allows us to continue doing so.

III. <u>Executive Summary</u>

We offer the following recommendations, which we believe will make the Proposed Rules more manageable and bring them closer in line with the realities of advertising in today's online-dominated environment:

- We support establishing an evergreen definition of advertisement that will remain relevant as methods and platforms used for communication continue to evolve. However, we are concerned that the definition, as proposed,

    - is overly broad,

[7] *See* Editorials. Available at: https://support.google.com/adspolicy/answer/6021546.
[8] *See* What happens if you violate our policies. Available at: https://support.google.com/adspolicy/answer/7187501.
[9] It does not make a difference if the advertiser wants to run a CPM or CPC-based advertisement because the online advertising programs apply their CPA-based algorithms to all advertisements. As previously stated, that is because the advertising platforms have focused their businesses on the CPA model.

   - ➢ will subject many communications that are not “advertisements” in the traditional sense to unnecessary and burdensome procedural requirements, and
   - ➢ will have a chilling effect on communications between advisers and their clients.

- ❖ We support developing a framework for advertising materials posted online and on social media. However, we emphatically disagree with the Commission’s position that a hyperlink to material disclosures would not allow potential clients to make informed decisions.

- ❖ We support the Commission’s willingness to allow the use of testimonial advertisements, but we recommend

   - ➢ excluding from the “balanced-approach” requirement those testimonials that relate to a client’s functional experience with an adviser, and
   - ➢ allowing advisers to balance the use of testimonials through the use of average client ratings related to performance.

- ❖ With respect to the proposed changes to the Solicitation Rule, we recommend removing non-monetary compensation from the *de minimis* solicitation compensation calculation or, in the alternative, raising the limit on the *de minimis* compensation cap.

IV. <u>Recommendations</u>

A. Definition of Advertisement

Recommendation: We recommend deleting “or retain” from the proposed definition of advertisement.

The Commission proposed including in the definition of advertisement,

> ...any communication… that seeks to obtain ***or retain*** *one or more investment advisory clients....*[10]

While we agree that most communications seeking to obtain investment advisory clients fit into the definition of advertising, we do not agree with the Commission’s broad assertion

[10] The Proposals at page 19-20 (emphasis added).

that all communications seeking to **retain** clients should fall under the definition of advertisement.

For the following reasons, we believe that taking this approach would have a negative impact on investment advisers as well as clients.

First, the Proposed Rules would unreasonably and unnecessarily subject client services teams, that traditionally provide day-to-day “help desk”-like functions, to unnecessary regulatory risk.

Wealthfront, for example, employs a client services team to:

- ➢ provide technical support,
- ➢ resolve platform-related and operational issues or questions, and
- ➢ periodically reach out to clients regarding matters important to the operational administration of their investments.

The Proposals provide for an exclusion for live oral communications. The bulk of our clients (particularly young adults who are in the early stages of wealth accumulation) prefer to communicate with us in a different way. In fact, over 90% of our clients communicate with us via email. Moreover, although the Proposals provide an exclusion for responses to unsolicited requests for specified information, our engagement with clients cannot easily fit this tightly tailored exclusion while still remaining supportive of our clients’ needs. In most instances, therefore, our client services team would have to engage in logistical disquisitions to determine how neatly they fit within the Proposals’ unrealistic constraints before they can be helpful to clients.

The proposed language, if adopted, would not only bias toward traditional registered investment advisers who communicate with their clients primarily via telephone, but also would create an unworkable standard that would require the added and unnecessary expense of employing a large contingent of lawyers and compliance officers to monitor mostly prosaic client communications.

Second, the Proposal would have a chilling effect on client communications, as it would inhibit the free flow of information between advisers and clients.

When our clients entrust us with their assets, they do so with the understanding that we have an obligation to act in their best interest. Acting in our client’s best interest requires more communication than responding only to unsolicited requests for information or engaging them for mere regulatory purposes.[11] We do not believe that placing regulatory barriers with respect to communications between advisers and their clients would further the Commission's objective of investor protection.

For example, during tax season we may want to tell our clients about the process of receiving tax forms and what each one of those forms represents. In other instances, we may want to send out an email to tell clients that markets are closed for a particular holiday and that if they need to liquidate positions, they would need to wait until the next business day.

Both of these would be substantive messages that provide good service to clients and could be prospectively deemed as client retention communications. Would the Staff take the view that these written communications are advertisements? If so, we question the policy rationale for subjecting them to a higher regulatory burden.

The proposed additional regulatory burden would result in delayed and reduced individual communication with clients to discuss matters that may be beneficial or even critical to their financial journey.

The unnecessarily broad definition of advertisement in the Proposed Rules benefits no one and, in fact, hinders the Commission's objective of investor protection. The definition of advertisement that the Commission has proposed would both impose an unreasonably difficult strain on investment advisers and have a chilling effect on the flow of necessary information to clients.

B. Clear and Prominent Disclosure of Material Risks

Recommendation: We recommend taking a holistic approach to material disclosures in advertising materials that reflects consumers' online purchase experiences.

In the Commission's discussion regarding proposed amendments to the Advertising Rule, the Commission states,

> . . . [t]he proposed requirement to 'clearly and prominently' disclose material risks would necessitate formatting and tailoring based on the form of the communication.

[11] Both of which are exempt from the definition of advertisement in the Proposed Rules.

The Commission goes on to state

> . . . it would not be consistent with the clear and prominent standard to merely include a hyperlink to disclosures available elsewhere."[12]

We encourage the Commission to consider the following points regarding its position on this matter.

First, advertising on online and social media platforms limits the ability to provide extensive disclosures.

The Commission stated the following by way of example: "a person viewing a mobile device could be automatically redirected to the required disclosure before viewing the substance of an advertisement."[13] While this is a potentially feasible option for advertisements hosted on an investment adviser's website, this approach would not be possible on social media platforms or other third-party media platforms. As previously discussed in the **Online Advertising** section of this letter, advisers have limited control over what they can include in their advertisements and the format in which they are displayed.

For example, Facebook, our largest advertising platform, exercises full control over the size, placement, and positioning of all advertisements on its platform in order to maximize their conversion rates. Accordingly, to increase the likelihood that a marketing campaign on Facebook will be successful, it will reject advertisements that contain too much text, as its extensive research has shown that advertisements that contain too much text—20% or more of an image advertisement covered by text—are not as effective in generating conversions.[14] To this end, Facebook's algorithms will review individual advertisements to determine the amount of text used. Based on this review, Facebook warns that collateral with higher amounts of text may not be shown or may be penalized when selecting the collateral to be displayed to a particular viewer at a given point in time.[15]

Unless the Proposed Rules are amended to allow for material disclosures to be provided via a hyperlink, the use of online and social media platforms may not be a feasible alternative for investment advisers in the future. As discussed in the

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[12] The Proposals at page 60.
[13] Id.
[14] *See* Facebook's Advertising Guidelines:
https://www.facebook.com/business/help/980593475366490?id=1240182842783684.
[15] Id.

Online Advertising section above, this would greatly reduce the number of people on the internet that advisers would otherwise be able to reach or benefit from our service.

Second, consumers in the internet age consider online and social media advertisements as merely an initial point of information during their purchasing experience.

Companies that primarily operate online understand that the overarching purpose of an online advertisement is not to provide an extensive education, but rather to convey a concise message in a way that causes the viewer to further explore the advertised services and visit the linked website where they can learn more about the product. Viewers of online advertisements understand that reviewing or even clicking on an advertisement is not a commitment. Rather, they view an online advertisement as the first point of contact in the product evaluation process. It is highly unusual for a client to go directly from viewing advertisement to sign up.

In fact, our client surveys tell us that a large percentage of our clients acquired through advertising do not directly visit our site after learning about us through an advertisement. Rather, they first seek out third-party reviews of our services and of those of other advisers on third-party review sites such as Nerdwallet, as well as ask the opinions of friends and family.

Once more informed, a potential client will either access our website directly or click on one of our advertisements the next time they see it. If they click on an advertisement, they are directed to a landing page that provides additional information about Wealthfront and the services we offer. Further exploration of our website provides access to detailed and extensive white papers on how we implement each of our investment services, FAQs, historical returns, other relevant disclosure documents, contact information about our client service team and account opening documents (advisory agreement, Form ADV brochure and privacy policy).

This means that from the time a potential client first sees an advertisement to the time when the client finally makes a decision to enter into an advisory relationship, the client will have had many opportunities to obtain all of the necessary information to make an informed decision whether or not to entrust their assets to us. In fact, very few clients go directly from clicking on an advertisement to immediately opening an account.

Third, including the material risks and other limitations associated with an adviser's services directly in the advertisement could distort the message of the advertisement and potentially confuse clients.

Disclosures of material risks and limitations are generally quite lengthy and detailed, and a single sentence in an advertisement could trigger paragraphs of disclosures. Mandating placement of extensive disclosures in an online advertisement (if it were even possible) and/or requiring that a potential client click through a pop-up acknowledging receipt of information regarding material risks and limitations will greatly diminish our ability to effectively convey a concise message, which will likely only confuse the viewers of the advertisement and distort the message.

This aspect of the Proposed Rules is especially problematic because clients are accustomed to reading disclosure materials in the context of the underlying content. Switching the order of operation is unlikely to improve a potential client's understanding of the adviser's message.

The proposed approach is analogous to requiring that an investor read the risk factor section of a prospectus prior to reading the summary of the offering or the footnotes of a law review article prior to reading the text to which those footnotes relate. This would be an issue because the reader of the prospectus would not be able to relate the risks to the offering without an initial understanding of the underlying material. Material disclosures, like risk factors and footnotes, provide context to an underlying message.

With the ever-increasing use of the internet, consumers and clients have access to more information than ever and are accustomed to researching and vetting advertisements that are placed in front of them. More information for investors is generally a good outcome, but the way in which that information is conveyed is also of great importance.

Instead of providing an "information dump" upfront, we believe introducing information in waves of increasing granularity is a far more effective way of presenting information. We believe that this is consistent with basic principles of well-designed Information Architecture ("IA"). IA is a discipline that focuses on "…mapping the customer journey, modeling the system dynamics, and analyzing impacts upon business processes, incentives, and the org chart" to optimize comprehension of information contents.[16]

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[16] Editorial, The System of Information Architecture by Peter Morville. Journal of Information Architecture, Volume 3, Issue 2 http://journalofia.org/volume3/issue2/01-morville/jofia-0302-01-morville.pdf.
See also, Semantic Environments and Information Architecture by Jorge Arango (May 3, 2013) https://jarango.com/2013/05/02/semantic-environments-and-information-architecture/.
For a general understanding of IA, *See* Information Architecture Basics, https://www.usability.gov/what-and-why/information-architecture.html, the US Department of Health and Human Services provides guidance on how to improve user experience through AI.

We strongly believe an increasingly granular flow of information is beneficial to clients. Providing too much information at irrelevant times is confusing and does not aid in comprehension or understanding of a product.[17]

Fourth, we believe the SEC can achieve its intent by adopting an approach similar to the "one click away" approach that FINRA has taken to advertising material disclosures.

FINRA Rule 2210(d)(1)(C) states that advertising information may "be placed in a legend or footnote only in the event that such placement would not inhibit an investor's understanding of the communication."[18] FINRA has interpreted this to mean that placement of relevant information would not inhibit an investor's understanding of the communication if it is "one click away" or in a spatially proximate distance from an electronic communication.[19] We agree with FINRA's position, and we believe that the

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[17] In his article, Semantic Environments and Information Architecture, Mr. Arango cautions against introducing extraneous elements that could compromise understanding and make communication difficult or impossible:

> . . . I think one of the most important functions that IA provides is to identify and clarify the various semantic environments and subenvironments that affect a product. This goes well beyond the creation of semantic structures, which is what many people consider the purview of IA to be, to include such things as the roles and relationships between the people interacting in (and with) the product, the intended and actual purposes of their interactions, and the rules that govern those interactions (both on- and offline).
>
> One of the challenges that we face when designing for these digital experiences is that they lack many of the subtle nonverbal cues that help people identify the semantic environment they're participating in. Part of what IA should do is afford these cues, so that users can not only find their way around, but also understand what type of environment they're supposed to be participating in. Because all of this is still relatively new (especially when compared to physical communication, which we've adapted to over many thousands of years), sometimes clients will ask us to include "unassimilable matter" into semantic environments, causing no end of trouble. Information architects need to be able to understand—and defend—the integrity of semantic environments in order to make them as "clean" (understandable) as possible.

(References to *Crazy Talk, Stupid Talk: How We Defeat Ourselves by the Way We Talk and What to Do About It*, by Neil Postman.)

[18] FINRA, Rule 2210 (2019).
[19] *See* Regulatory Notice 14-17 and 14-15, Social Media and Digital Communications (April 2017) at Page 7, available at: https://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-17-18.pdf.

SEC can still uphold its obligation to protect investors though the "one click away" approach to online advertisements.

The SEC already has robust substantive means in place to protect investors from false and materially misleading advertising content, and hyperlinking to disclosures related to that content is solely a procedural consideration. Advisers are already prohibited from utilizing advertisements that include (*i*) untrue statements and/or omissions, (*ii*) unsubstantiated material claims and statements, (*iii*) untrue or misleading implications or inferences or (*iv*) discussion regarding potential benefits of an investment adviser's services without disclosing material risks.

While the information contained in material disclosures is substantive, the acceptable method of displaying that information is a debate on logistics. Linking to material disclosures via a prominently displayed hyperlink in close-proximity to the statement that requires disclosures does not increase the likelihood of false or misleading statements or to omit material disclosures. It merely moves the location of the material disclosures to the next logical step in the process of becoming a client.[20]

C. Testimonials

Recommendation: We request additional clarity as to whether testimonials that discuss technological aspects of an adviser's platform would be considered a testimonial and recommend permitting the employment of a rating system to balance the use of testimonials discussing an adviser's investment management and advisory services.

The Proposed Rules' fair and balanced standard for testimonials is ambiguous. In the Proposals, the Commission states "if an adviser were to select a single positive testimonial to highlight in an advertisement, while excluding all negative testimonials, it is likely to create a misleading inference that the adviser has only received positive testimonials."[21]

We recommend the Commission:

- ➢ Provide clarity as to whether testimonials that concern technological aspects of an adviser's operation (not performance) are subject to the Testimonial Rule (e.g.,

[20] Alternatively, the Commission could require standardized wording for hyperlinks such as "See Important Information Here."
[21] *See* Proposals at page 84.

client's interactions with our investment platform, website and app, including ease of use, response time and speed of money transfer), and

- Allow advisers to balance the use of testimonials through the use of average client ratings based on feedback provided by verified account holders, similar to Amazon or Yelp, with respect to testimonials that concern matters unrelated to technological aspects of an adviser's operation, such as those that relate to performance results or investment allocation.

We believe that these approaches are appropriate for the following two reasons:

First, unlike testimonials that concern non-technological aspects of an adviser's operations such as performance results or investment allocations, client testimonials that relate to technological matters such as user interface and investment platform design are unrelated to the primary objective of protection of investors under the Advisers Act. Moreover, selecting a testimonial that concerns a client's mechanical experience with an adviser's investment platform requires a subjective selection among multiple performance aspects (e.g., layout relative to download speed), which would make it almost impossible to provide an "apples-to-apples" comparison.

Second, allowing internet-based advisers to balance the use of testimonials through an average of ratings that relate to non-technological, performance-based characteristics would provide potential clients more firsthand information in a manner to which they are accustomed prior to making an online purchase or commitment.

When the modern consumer evaluates whether they should try a new restaurant, they can use a service like Yelp in their evaluation process. When the modern consumer browses Amazon for a big purchase, they look at the star rating and read the reviews.

For many purchasers, the thought of purchasing an unreviewed item on Amazon or going to a restaurant with no reviews is almost unthinkable. The app store, for example, has a star rating system that allows users to then drill down into specific user reviews. Investment adviser clients should have the opportunity to do the same.

D. Solicitor De Minimis Compensation

Recommendation: We recommend removing non-monetary compensation from the de minimis solicitation compensation calculation or raising the cap on the de minimis compensation.

In addition to online and social media advertisements, Wealthfront also relies heavily on word-of-mouth and client referrals. Approximately one third of our clients are introduced to Wealthfront via friends and family referrals.

We incentivize client referral activity by waiving a portion of advisory fees for clients who refer friends and family. Each time a client successfully refers a family member or friend to Wealthfront, we waive advisory fees on $5,000 of investment assets for both the referred individual and the referring client for as long as the family member or friend remains a client of Wealthfront.

Furthermore, we do not cap the number of referrals that a client can make, so clients can utilize as many fee waivers as they have referrals. We believe that it is financially beneficial to our clients, and Wealthfront bears all of the financial risk that relates to waived fees. In addition, we believe that this structure puts all of the parties' interests into alignment. Wealthfront reaches a new client without expending additional capital on online advertising, the referring client gets reduced fees on money they may already have at Wealthfront, and the referred client gets $5,000 managed for free which could allow that client to evaluate Wealthfront's services prior to paying advisory fees.

Our approach to incentivizing referrals does not subject investors to harm or pose a risk of undue influence. Unlike third-party solicitors whose careers involve soliciting clients on behalf of an investment adviser, our approach to referrals is relationship-based.

The Proposed Rules would significantly reduce our and our clients' ability to realize benefits from our referral structure because the Proposed Rules would subject referrers who receive non-monetary compensation to the Solicitation Rule except to the extent the referral program's benefits are limited to the $100 de minimis exception under the Proposed Rules. We do not believe the intended purpose of the Proposed Rules is to limit such non-cash benefits that advisory clients may derive from referral programs such as those offered by Wealthfront, as these types of families and friends referral programs do not present the type of investor risk that the Solicitation Rule was intended to address. This referral structure is mutually beneficial for us and our clients and we recommend removing non-cash compensation from the Proposals the purposes of calculating the *de minimis* exemption.[22]

Alternatively, the Commission may want to consider increasing the *de minimis* solicitor compensation cap to $750 and tie the *de minimis* compensation cap to inflation.

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Wealthfront appreciates the opportunity to comment on the Proposals. We would be pleased to provide further information, participate in any outreach efforts the Commission undertakes or respond to questions the Commission may have about our comments. If you have any questions or would like to discuss these comments, please do not hesitate to contact me at david@wealthfront.com or our Chief Legal Officer, Julius Leiman-Carbia at juliusleimancarbia@wealthfront.com.

Respectfully,

David Fortunato
President
Wealthfront Corporation
Executive Representative, Wealthfront Advisers LLC

CC: Jay Clayton, Chairman SEC
Hester M. Peirce, Commissioner SEC
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[22] The Proposed Rules would not apply to solicitors who perform solicitation activities for advisers if the solicitor has performed solicitation activities for the adviser during the preceding twelve months and the adviser's compensation payable to the solicitor for those solicitation activities is $100 or less.