Sales Practices Rules for Transacting in Shares of Leveraged/Inverse Investment Vehicles

Appendix B

We are proposing two new sales practices rules—rule 15*l*-2 under the Securities Exchange Act of 1934, and Rule 211(h)-1 under the Investment Advisers Act of 1940—that would require a broker, dealer, or registered investment adviser to exercise due diligence in approving a retail customer's or client's account to buy or sell shares of certain "leveraged/inverse investment vehicles." More information about our proposal is available at www.sec.gov/rules/proposed/2019/34-87607.pdf.

We are particularly interested in learning what small broker-dealers and investment advisers think about the proposed new sales practices rules' requirements. Hearing from these smaller firms could help us learn how our proposed rules would affect them, and evaluate how we could address any unintended consequences resulting from the cost and effort of regulatory compliance while still promoting investor protection. We would appreciate your feedback on any or all of the following questions.

All of the following questions are optional, including any questions that ask about identifying information. Please note that responses to these questions—including any other general identifying information you provide—will be made public.

SALES PRACTICES RULES FOR TRANSACTING IN SHARES OF LEVERAGED/INVERSE INVESTMENT VEHICLES

Item 1: General Identifying Information

Instructions: At your option, you may include general identifying information that would help us contextualize your other feedback on the proposal. This information could include responses to the following questions, as well as any other general identifying information you would like to provide. Responses to these items—like responses to the other items on this Feedback Flier—will be made public.

a.	Is the firm a Commission-registered investment adviser or a broker-dealer?
b.	What is the size of the firm in terms of:
	1. The number of retail investors (as defined in the release)?
	2. For Investment Advisers, regulatory assets under management?
	3. For broker-dealers, regulatory net capital?
	4. Other (please specify)?
c.	Please include any additional general identifying information that you wish to provide, that could add context to your other feedback on the proposal.
d.	Does the firm accept orders from or place orders for the accounts of retail investors to buy or sell shares of leveraged/inverse investment vehicles (as defined in the proposed sales practices rules)?

SALES PRACTICES RULES FOR TRANSACTING IN SHARES OF LEVERAGED/INVERSE INVESTMENT VEHICLES

Item 2: Cost to Comply with the Proposed Due Diligence and Account Approval Requirements

a.	What do you expect the cost to your firm would be in order to comply with these proposed requirements
	(in terms of combined internal and external costs)?

1	For an	investment	adviser	check	one	hov	١.
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Estimated cost (\$)		
\$0 – \$5,000	\$5,001 – \$10,000	> \$10,000
0	0	0

2. For a broker-dealer (check one box):

Estimated cost (\$)		
\$0 – \$25,000	\$25,001 – \$50,000	> \$50,000
0	0	0

b.	Are there any less expensive alternatives to the proposed requirements you can suggest that would still preserve the proposed rules' intended investor protection safeguards?				
	preserve the proposed rules intended investor protection safeguards:				

SALES PRACTICES RULES FOR TRANSACTING IN SHARES OF LEVERAGED/INVERSE INVESTMENT VEHICLES

Item 3: Other Feedback on Proposed Sales Practices Rules

Instructions: Please include any other additional suggestions or comments about the proposed sales practices rules that you would like to provide.

How to Submit your Feedback

You also can send us feedback in the following ways (include the file number \$7-24-15 in your response):

Print Your Responses and Mail

Secretary U.S. Securities and Exchange Commission 100 F Street, NE Washington, DC 20549-1090

Print a PDF of Your Responses and Email

Use the printer friendly page and select a PDF printer to create a file you can email to: rule-comments@sec.gov

Print a Blank Copy of this Flier, Fill it Out, and Mail

Secretary U.S. Securities and Exchange Commission 100 F Street, NE Washington, DC 20549-1090

We will post your feedback on our website. Your submission will be posted without change; we do not redact or edit personal identifying information from submissions. You should only make submissions that you wish to make available publicly.

If you are interested in more information on the proposal, or want to provide feedback on additional questions, click here. Comments should be received on or before March 24, 2020.

Thank you!