



7204 Glen Forest Drive, Suite 105
Richmond, VA 23226
AICAlliance.org

May 9, 2022

VIA EMAIL:

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506
Email: pubcom@finra.org

***Comment Letter in Response to Request for Comment
FINRA Regulatory Notice to Members No. 22-08***

The Active Investment Company Alliance (AICAlliance.org) (“AICA”) was founded in 2019 by its Executive Chairman, John Cole Scott, and is operated by its Executive Director, Michael Taggart. AICA is a 501(c)(6) non-profit trade association that encompasses 14 members comprised of 10 investment fund sponsors¹, 2 institutional investors, and 2 service providers. We focus on creating high-quality and diverse content for investors and the investment advisors that may serve them.

AICA is providing this comment letter in response to FINRA’s request for comment under FINRA Regulatory Notice to Members No. 22-08, “FINRA Reminds Members of Their Sales Practice Obligations for Complex Products and Options and Solicits Comment on Effective Practices and Rule Enhancements” (Mar. 8, 2022) (the “Proposal”). In the Proposal, FINRA announced that it is considering limiting self-directed investors’ ability to invest in certain exchange-listed funds, including closed-end funds.

AICA is committed to developing, strengthening and enhancing the ecosystem for publicly-offered closed-end funds (“CEFs”), business development companies (“BDCs”), and interval

¹ Our fund sponsor members are advisers to a broad array of investment products, including closed-end funds, interval funds, tender offer funds, and business development companies.

funds (“IFs”, and together with CEFs and BDCs, the “closed-end management companies”). This comment letter specifically addresses only those three closed-end management company fund structures.

Closed-end management companies often offer investors access to investments only otherwise available through limited partnerships or similar tax-efficient vehicles whose interests are offered and sold in compliance with Regulation D promulgated under of the Securities Act of 1933, or other private, less transparent, and illiquid securities. Publicly offered and traded closed-end management companies are already subjected to additional reporting and oversight obligations under the federal securities laws and Securities and Exchange Commission (“SEC”) regulations as well as, for those CEFs and BDCs that are exchange traded, the relevant exchange listing standards. This regulatory environment exists for the public purpose of allowing unrestricted, self-directed investment in these closed-end management companies. Thus, AICA doubts that FINRA has the authority to adopt any of the more restrictive suggestions of the Proposal, such as having FINRA members testing investor knowledge or otherwise imposing some heightened proof of investor suitability before members allow self-directed investors to invest in closed-end management companies.²

The various due diligence performed to gain access to a platform for both listed closed-end management companies (via initial public offering mechanisms) and non-listed funds (where the custodian has to set-up pro-rate tendering processes) already vets and limits access to these products in significant ways.

We urge FINRA to not limit investor access to closed-end management companies. We support efforts to better educate investors about all investment products, not just exchange-listed funds. We believe that no investor should invest in any product, "complex" or not, without a thorough understanding of that product. We believe that it should be up to the individual investor and/or their financial advisor to determine whether a product is "complex" or not. We believe that all investments involve risk, and that singling out certain exchange-listed funds could signal that other types of investments do not bear risk.

² AICA notes that FINRA’s rules on investor qualification for options trading were only adopted after Congress engaged in extensive fact finding about abuses and disadvantages investors were facing in the options markets before those rules were adopted. No similar finding of investor abuse or disadvantage has been made by Congress or the SEC with respect to closed-end management companies.

The diverse use of various fund structures is a significant benefit to investors and their need to support themselves for decades into retirement. We hope you consider this before taking any action. Both of us are happy to make ourselves available for meetings as might be helpful on this matter or any future matter that pertains to closed-ended management companies.

Thank you for your consideration.

Sincerely,



John Cole Scott, CFS
CIO CEF Advisors, CEFData.com
Founder, Executive Chairman, AICA
jcs@aicalliance.org
804-362-0717



Michael Taggart, CFA
Founder, Taggart Fund Intelligence
Executive Director, AICA
mike@aicalliance.org
630-210-6759