

May 9, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 22-08 (the “Notice”)

Dear Ms. Mitchell:

Global X Management Company LLC¹ welcomes the opportunity to comment on the Financial Industry Regulatory Authority, Inc.’s (“FINRA”) Regulatory Notice 22-08 (Complex Products and Options) (the “Notice”). Global X appreciates the importance of FINRA’s mandate to protect investors and fully supports FINRA’s examination of the evolving nature of products available to retail customers. However, Global X believes that inclusion of options-based strategies in the definition of “Complex Products” – particularly covered call strategies – may unnecessarily stifle the use of instruments that could be used as part of a risk management strategy for an investor. Global X believes that funds offering options strategies, particularly covered calls, should be excluded from the definition of Complex Products based on the fact that such strategies may provide investors with a cost efficient and liquid method of accessing investment options that may be utilized for risk mitigation in a retail investor’s portfolio. For instance, Global X sponsors certain funds that pursue a covered call strategy, where the fund owns index securities and writes a call option on such index, receiving payment of a premium from the purchaser of the option. In return for the receipt of such options premium, when the option expires the fund may be required to make a payment equal to the difference between the value of the index and the exercise price of the option. However, for such covered call funds, the fund that writes the covered call option owns the securities underlying the index, and therefore any future obligation to make payment on the option would occur only when the securities held by the fund have increased in value, offsetting the call option risk and potentially mitigating the downside risk of utilizing such options.

Global X believes that the current regulatory paradigm for registered investment companies, which focuses on disclosure of principal risks so that investors can make informed decisions in light of their individual risk profile, is more than adequate to address FINRA’s investor protection concerns. In particular, we believe that the risk considerations for the covered call strategies pursued by ETFs sponsored by Global X, as fully disclosed in the ETF’s prospectus, are understandable by retail investors. In addition, registered investment companies that follow options-based strategies are already governed by a robust regulatory framework. Global X believes that FINRA’s proposed measures could cause investors to seek similar types of investment exposures from riskier instruments that are not subject to the protections of the Investment Company Act of 1940.

¹ Global X Management Company LLC is a registered investment adviser to the Global X Funds.



For these and other reasons, we object to the restrictions on investors that FINRA is considering.

Once again, we appreciate the opportunity to comment on the Notice. If you have any questions regarding our comment letter or would like additional information, please feel free to contact me.

Sincerely,

Susan Lively
Susan Lively
General Counsel