



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:

SEI Investments Distribution Co. ("SEI")<sup>1</sup> is pleased to provide comments on the Notice. SEI fully supports the Financial Industry Regulatory Authority's ("FINRA") goal of investor protection; however, SEI is concerned that the measures contemplated with respect to "complex products" are a departure from the Federal Securities Laws' foundational principle of reliance on full and fair disclosure in the sale of publicly traded securities. Moreover, SEI believes the measures could harm investors by unduly restricting access to investments that can provide important benefits.

Investors have been well-served by our regulatory framework that is based upon the principles of full and fair disclosure paired with investor choice.

Our disclosure framework requires companies to disclose material information that enables investors to make informed investment decisions. For public companies, our authority basically is directed towards eliciting disclosure.

Under this disclosure framework, all companies must provide specific categories of information. Companies have the flexibility, however, to tailor disclosure to their particular circumstances. In almost every case, we rely on this general framework and rarely provide specific guidance on any particular issue."<sup>2</sup>

The Notice contemplates requiring individual investors to pass tests of investment knowledge, satisfy minimum net worth requirements, or be pre-approved by their broker based on vague standards. We do not believe that investors would be well-served by FINRA upending the current disclosure-based system by imposing restrictions on self-directed

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<sup>1</sup> SEI Investments Distribution Co. (member SIPC) is the broker-dealer subsidiary of SEI Investments Company (NASDAQ: SEIC). SEI and its affiliates deliver technology and investment solutions that connect the financial services industry. As of March 31, 2022, SEI manages, advises, or administers approximately \$1.3 trillion in assets.

<sup>2</sup> SEC Release Nos. 33-7558; 34-40277; IA-1738; IC-23366; International Series Release No. 1149 (2000).

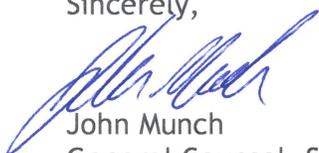
investors' right to buy public securities.

We are concerned that the gating measures contemplated by FINRA could introduce arbitrary requirements that have the potential to disadvantage certain investors. As the Investment Company Institute rightfully pointed out, the impact would be significant: “[a]pproximately 5,600 funds would be impacted with over \$7.6 trillion in assets...and 22 percent of total US fund assets would be deemed complex products, potentially subject to enhanced investor qualifications or other requirements.”<sup>3</sup>

We also share the concerns of several other commenters that a formal “complex products” definition could give investors the false sense that only “complex” products carry heightened risk.<sup>4</sup>

Thank you for the opportunity to provide comments on the Notice. If you have any questions regarding our comments, please do not hesitate to contact me at 610-676-3250 or Alexander F. Smith at 610-676-7811.

Sincerely,



John Munch  
General Counsel, SEI Investments Distribution Co.

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<sup>3</sup> Investment Company Institute (ICI) Comment on the Notice (May 9, 2022)

<sup>4</sup> See e.g., CBOE Global Markets, Inc. Comment on the Notice (May 9, 2022)