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August 5, 2020

e-OED@Department.gov
Assistant Secretary Jeanne Wilson
Employee Benefit Security Administration
Department of Labor
200 Constitution Ave., NW
Washington, DC 20210

Re: Improving Investment Advice for Workers & Retirees (ZRIN 1210-ZA29)

Dear Secretary Wilson:

Nuveen, LLC, as one of the leading sponsors of closed-end funds and a subsidiary of TIAA, writes in connection with the Department of Labor's (the "Department") proposed class exemption (the "Proposed Exemption") for the receipt of fees in connection with the provision of nondiscretionary investment advice.

While we are supportive of much of the Proposed Exemption, we are disappointed that it provides a limited list of approved securities that can be purchased on a principal basis and does not cover closed-end fund ("CEF") public offerings, which are typically sold on a principal basis. We believe that the exclusion of CEF public offerings is detrimental to investor choice and the markets generally, as further described below.

The Proposed Exemption's approach with respect to principal transactions differs significantly from the rest of the exemption in essentially mandating a legal list of permissible investments. We believe that limiting principal transactions to those that the Department believes are appropriate is overly prescriptive, effectively results in the government picking and choosing favored classes of investments, and creates challenges and inequities for retirement investors who should be allowed to select their own investments with appropriate safeguards established.

In this regard, it is also inconsistent with the Securities and Exchange Commission's ("SEC") recently adopted Regulation Best Interest ("Reg BI"). We note that in Reg BI the SEC emphasized investor choice, and did not embrace the Department's conditions for principal transactions from the 2016 exemption. We respectfully submit that the Proposed Exemption should not override the judgment of retirement investors and financial professionals acting as fiduciaries.

The Department received almost uniformly negative comments on these lists of permissible investments in the principal transactions and best interest contract ("BIC") exemptions in its 2016 rule, which has now been vacated by the Court of Appeals. These approved transactions were characterized as inappropriately restrictive and contrary to the principle of investor choice. We are surprised that the Proposed Exemption continues to provide a narrow list for principal transactions under which a variety of investments that have historically been available to plans and IRAs in principal transactions, including Initial Public Offerings ("IPOs") of CEFs, would no longer be available to these retirement accounts.

Given their strong focus on generating high returns and high cash flow, CEFs offer an important choice for long-term investors in IRAs and retirement accounts. Because these funds are offered at inception as principal transactions, restricting purchases in principal transactions hurts retirement investors - as well as all other investors and the capital markets - in ways that cannot be remedied simply by allowing plans and IRAs to purchase these funds in the secondary market. We believe there are adverse effects on retirement investors and on the market generally if IRA and ERISA accounts are not permitted to invest in CEF IPOs.[1]

Both at the time of the CEF IPO, and throughout the life of the CEF, the value of a CEF portfolio is priced in accordance with important investor protections afforded under the 1940 Act, including board-approved valuation procedures and ongoing board oversight. Similar to open-end funds, a per share net asset value is determined and published on each business day after the close of the market, which enables investors to consider the underlying value of a fund's investments compared to the share price trading on a national stock exchange.

The majority of CEFs are designed and managed to offer strong income and cash flow. Thus, the estimated $44 billion of current CEF assets in IRAs and retirement accounts play an important role in helping to provide retirement income streams and diversification to retirement investors. Unlike continuously offered funds, CEFs generally have a limited opportunity to raise investment capital through a brief IPO offering period - typically 20 or so business days. While we are sure it was not the Department's intention to significantly impair a particular investment product, we think it is clear that excluding IRA and other retirement investors, who we believe typically represent 25 percent of a CEF's investor base, from participating in an IPO would significantly reduce the scale of future CEF IPOs. This exclusion creates a number of certain and potential disadvantages for all fund shareholders, including IRA and other retirement investors who purchase shares after the IPO.

For example, let's assume that today there is public interest of $250 million in a new CEF IPO and its asset class and investment strategy. Under the Proposed Exemption, because of the CEF exclusion, the fund will be 25 percent smaller (see previous paragraph about impact on IRA and retirement investors). That smaller investor base means less diversification,

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[1] CEFs are one of three general types of investment companies identified in the Investment Company Act of 1940 (1940 Act); the other two are open-end funds (OEFs) and unit investment trusts. Exchange-traded funds are a newer investment company structure, which some describe as a hybrid of an OEF and a CEF. There are many similarities between these four investment company types. Each is a pooled investment vehicle that offers shares almost exclusively through a public offering registered under the Securities Act of 1933, with all applicable fees, expenses, and offering costs fully disclosed in an initial prospectus. CEFs differ, in that they are generally not offered continuously like open-end mutual funds, and typically have a fixed number of shares issued during the IPO. CEFs generally do not issue redeemable shares; after the IPO investors buy and sell shares on a national stock exchange at prices established through market trading. The exchange and market participants provide investors with price transparency and liquidity throughout the trading day. The non-redeemable nature of CEF shares allows full investment of all capital rather than reserving significant amounts of cash, especially in funds with less liquid investments, to meet redemptions.

higher fund expense ratios, reduced efficiency and investment choice in managing a fund's portfolio, reduced or absent CEF analyst coverage (CEF analysts generally do not evaluate or publish information about smaller funds), and lower secondary market volume, leading to potentially wider bid/ask spreads. These diseconomies of scale negatively impact current and future shareholders, taxable and retirement alike, as well as the capital markets being served by that asset class. Ultimately, the CEF exclusion results in reduced income and return potential to all investors over time.

Although conducted through a firm commitment offering, risks of "dumping" CEF IPO shares are significantly mitigated. The assets raised in a CEF IPO depend solely upon investor demand generated during the initial offering period, not a predetermined capital goal. Additionally, investors know the precise per share net asset value they will receive immediately following an IPO, meaning that the initial value of each share is not dependent on an assessment of the underwriting syndicate. For a CEF IPO, the underwriting syndicate members are committing only to the shares needed to fill their clients' indications of interest. Beyond that, the underwriters hold little or no additional inventory. Additionally, the CEF IPO process includes another protection: syndicate members track after-market activity and will impose a claw-back of the sales concession in the event an advisor engages in flipping shares purchased during the offering. This can serve to remove the financial incentives for a broker to sell the shares after the pricing of the CEF offering.

In summary, we believe that the Department's restriction on principal transactions in CEFs adversely impacts these funds for all investors, including retirement investors, and adversely affects the overall market by impeding capital raised through a CEF IPO. It makes the product less attractive, less diversified, and more costly for all investors. Including IRAs and retirement investors in a CEF's IPO will help ensure the largest possible fund scale, benefiting all shareholders and the assets and projects being financed over time. Finally, the IPO process for CEFs differs from that of operating companies, with pricing that is known at the outset, continued high transparency and liquidity opportunities after launch, additional regulations and protection from the 1940 Act and FINRA, and a capital raise that is strongly aligned with investor demand, not issuer and syndicate goals.

We thank the Department for the opportunity to comment on this important issue. We would welcome the opportunity to discuss this further or provide any additional information that might be helpful. Please contact Kevin McCarthy at telephone 847-502-0438 or email kevin.mccarthy@nuveen.com to discuss or if we can be of assistance.

Sincerely,

K. McCarthy

Kevin J. McCarthy
General Counsel, Nuveen, LLC