



August 19, 2011

Mr. Joseph E. Connarton
Executive Director
Public Employee Retirement Administration Commission
Five Middlesex Avenue
Suite 304
Somerville, MA 02145

RE: Draft Investment Regulations

Dear Mr. Connarton:

The Securities Industry and Financial Markets Association ("SIFMA") appreciates the opportunity to comment on draft investment regulations put forth by the Public Employee Retirement Administration Commission (PERAC). SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers, including many entities located throughout Massachusetts. Its mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets.

SIFMA generally supports PERAC's package of proposed regulations. We share your goal of making the pension fund investment process more transparent and efficient, and we commend you for seeking major changes to the investment, bookkeeping and procurement activities of the state retirement systems.

We do, however, have two suggestions with respect to the definition of placement agent found in Section 840 CMR 18.00. First, in two separate locations, the proposed regulation clearly seeks to limit the rules' applicability to third party placement agents. The section's "preamble" states, "Except as may otherwise be provided by the Commission . . . these rules regulate the activity of third party placement agents." Likewise, the last phrase of the placement agent definition in 18.01 expressly says "this regulation shall not apply with respect to in house employees of managers (emphasis added)."

The language, however, does not clearly address a corporate structure where the person or entity acting as an intermediary is technically not an in house employee of the manager but

rather an employee of the manager's affiliate. For example, certain circumstances may require an IA to place its own fund interest through a broker-dealer, and such advisers often choose to do so through a corporate affiliate. We therefore respectfully request that the language be revised to read "this regulation shall not apply with respect to in house employees of managers or their affiliates."

Second, we urge you to strike the language which includes political consultants that are not involved in the referral of investment advisory services within the definition of placement agent. The language seems overly broad and could, for example, capture persons advising on retirement or tax legislation at the state or federal level. Classifying them as placement agents distorts the definition. It likewise provides little to no additional disclosure, since such persons would likely be required to register under applicable federal and/or state lobbying laws.

Again, we appreciate the opportunity to provide feedback. Please do not hesitate to contact me at 212-313-1311 should you have any questions.

Sincerely,

N/S

Kim Chamberlain
Managing Director & Counsel
State Government Affairs