

# **Position Letters regarding Third Party Marketers / Placement Agents**

## **General Notes:**

Letters should be on your firm's letterhead. Since the letters will be sent to a variety of constituents and jurisdictions, letters should be addressed To Whom it May Concern. Completed letters should be sent to [info@3pm.org](mailto:info@3pm.org) by no later than Friday May 7th.

## **Letter Format:**

### **1. Opening Paragraph – Introduction**

- Each letter should start out with an introductory paragraph which describes the reason for the letter and gives background about the firm writing the letter.
- Describe why you are writing the letter
  - I am a 3PM
  - I am writing in support of a 3PM firm
  - I support the position of the Third Party Marketers Association
- Include information about the firm
  - size of firm
  - Be sure to include information on whether the firm is an emerging manager or a woman or minority owned firm.

### **2. Second Paragraph – Who am I and Why are 3PMs important?**

- If you are a 3PM - Describe the services you provide to your clients and the successes that you have had working with emerging or woman and minority-owned firms
- If you are an Emerging or Woman or Minority owned firm – explain how 3PM has helped you, describe services provided and successes you have had

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## **3. Subsequent Paragraphs - The ISSUES**

- Discuss themes that are causing concern. Feel free to choose from talking points below. Since Contingency Fees is a theme that is a significant issue and is consistently showing up in new proposals we encourage you to at least include a paragraph about the importance of Contingency Fees in this section.

## **4. Closing Paragraph – Summary and Contact Information**

- The last paragraph should be a summary of your letter
- Be sure to include contact information so that the various constituencies may follow-up with you if necessary

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## Talking Points and Ideas for Text

- **Second Paragraph Points – Who am I and Why are 3PMs important?**
  - a. Placement Agents provide a value-added service
  - b. Placement Agents provide a value added service that is not only about ACCESS to the pension plans.
  - c. Placement Agents help determine the most appropriate and suitable target markets, create marketing materials, put together offering documents and private placement memorandums, answer due diligence questionnaires, provide advice on contractual terms and conditions, understand the goals and objectives of potential investors, arrange and attend meetings, facilitate the message of the manager's story and often is involved in client servicing
  - d. Placement Agents have on average more than 10 years of hands-on industry experience – matching this skill-set internal is not cost-effective
  - e. Investment teams expertise is in managing portfolios – not is raising assets
  
- **The ISSUES - Each of the following is a theme that has arisen in recent regulation, legislation or other policy-making.**
  - 1. **A ban on contingency fees is a ban on placement agents:**
    - a. [individual firm example= %]
    - b. Contingency Fees are an appropriate means of professional compensation:
      - i. Trial lawyers get a percentage (typically one-third) of the jury award. If they lose the case, they get no money.



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- iv. Without a skilled placement agent to navigate the complicated labyrinth of laws, regulations, protocols, and marketing nuances the emerging managers' chances of success in that critical first 24 months is significantly diminished.
- v. Not being able to use contingency fees to pay placement agents or being able to afford a full-time in-house sales person means that this function will be left to investment professionals who should be managing portfolios not serving as the firm's salesperson.

### **2. Most Placement Agents are SMALL FIRMS:**

- a. **Members of the Third Party Marketers' association are typical of the vast majority** of placement agents across America, very small firms.
- b. We are different than the large firms like Blackstone which the public associates with making millions of dollars and corruption.
- c. We epitomize the definition of small entrepreneurs
- d. Many of us are women and minority owned firms.
- e. Due to our limited size and resources our voice has not been heard on this issue as loudly and clearly as it needs to be.

### **3. Most Placement Agents operate with integrity and professionalism under a robust regulatory scheme**

- a. Placement Agents are registered broker-dealers and/or investment advisers, subject to the rules and regulations of the SEC, the FINRA, and/or the states in which they operate.
- b. All registered broker-dealers and investment advisers, regardless of their size, are subject to the same robust regulatory scheme of the very large firms. FINRA has agreed to pursue additional rulemaking to regulate placement agents operating as broker-

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dealers. The SEC has indicated that it will rely on FINRA for enhanced regulation.

- c.** As regulated entities, placement agents are subject to oversight including onsite cycle examinations, enforcement, and ongoing reporting, among other stringent requirements.
- d.** Placement agents are not lobbyists, placement agents differ substantially from “finders” and “fixers”

### **4. Excellent Policy Guidance exists for Placement Agents on which the industry can continue to build and improve.**

- a.** CalPERS Policy on Placement Agent Disclosure, in effect for only a few months, provides appropriate disclosure, adequate to prevent the types of scandals that have rocked the industry.
- b.** CalPERS Policy has not been given enough time to demonstrate its efficacy
- c.** FINRA has agreed to pursue additional rulemaking to regulate placement agents operating as broker-dealers. The SEC has indicated that it will rely on FINRA for enhanced regulation.
- d.** New Regulations should be focused on implementing policies that will curb the bad behavior of public officials that participated in the pay-to-play scandals rather than letting this behavior persist