

## Placement Agent Bans 'Not Fair' to Marketers, Trade Group Says

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By Gillian Wee

Barring middlemen who act as matchmakers between money managers and the pension funds that hire them is unfair because it tarnishes a mostly ethical industry, according to a trade group for the placement agents.

Banning agents puts smaller investments managers who lack marketing resources at a disadvantage in seeking pension contracts, according to the **Third Party Marketers Association** of Princeton Junction, New Jersey, or 3PM, which represents more than 75 placement agencies. Pension funds may have a more difficult time finding investment professionals with the expertise they seek, said Donna DiMaria, president of 3PM.

The U.S. Securities and Exchange Commission and New York Attorney General Andrew Cuomo announced in March they were investigating influence-peddling, kickbacks and unregistered brokers in the pension fund industry. In response, New York state and city officials and New Mexico Governor Bill Richardson banned the use of paid intermediaries by money managers seeking pension-fund contracts.

"We provide much more of a value-added service than merely arranging a meeting between an investor and an investment manager," said New York-based DiMaria in an interview today.

"It is not fair," said DiMaria, a placement agent who runs Tessera Capital Partners.

In 2005, the Illinois Teachers' Retirement System barred money managers from paying finder's fees to intermediaries. The fund, which had \$29.1 billion in assets as of Dec. 31, stopped the use of middlemen after Carlyle Group paid \$5 million in fees to lobbyist Robert Kjellander.

### Disclosure Rules

The "vast majority" of 3PM's members support new disclosure rules from the California Public Employees' Retirement System, the largest U.S. public pension, DiMaria said. Those regulations, approved this month, require investment companies to disclose when they hire middlemen, how much the agents are paid and the services they perform.

Scrutiny of the industry intensified on March 19, when Cuomo and the SEC filed criminal and civil complaints against Hank Morris, former New York Comptroller Alan Hevesi's top political adviser, and Deputy Comptroller David Loglisci.

Morris and Longlisci were accused of extracting kickbacks from private-equity firms and hedge funds in exchange for contracts to manage money from the New York State Common Retirement Fund. Cuomo called them part of "a national network" that "victimized states and taxpayers."

--Editors: Josh Friedman, Chris Thompson

To contact the reporter on this story:

Gillian Wee in New York at +1-212-617-3318 or [gwee3@bloomberg.net](mailto:gwee3@bloomberg.net)

To contact the editor responsible for this story:

Larry Edelman at +1-617-210-4621 or [ledelman3@bloomberg.net](mailto:ledelman3@bloomberg.net)