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Greenhill

October 2, 2009

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Release No. IA-2910; File No. S7-18-09; "Political Contributions by Certain Investment Advisers"

Dear Ms. Murphy:

Greenhill & Co., LLC ("Greenhill") is pleased to provide its comments on proposed rule 206(4)-5 under the Investment Advisers Act of 1940 relating to "pay to play" practices. We agree that regulation is appropriate to address the abuses that the Securities and Exchange Commission (the "Commission") has identified in this area. We do not agree, however, that an outright ban on the use of placement agents by public pension funds is necessary to accomplish that goal, and, in fact, we believe it adversely affects the very constituencies the proposed regulation is intended to protect.

Greenhill & Co., Inc. is a publicly traded independent investment banking firm that (i) provides financial advice on significant mergers, acquisitions, restructurings and similar corporate finance matters as well as fund placement services for private equity and other financial sponsors and (ii) manages merchant banking funds and similar vehicles and commits capital to those funds and vehicles. Greenhill is a registered broker-dealer and is therefore regulated by both the Commission and the Financial Industry Regulatory Authority ("FINRA"). Greenhill does not conduct any underwriting, research, trading, lending or related activities. Its mission is to provide its clients with objective, conflict-free advice on important matters. As part of its advisory business, Greenhill has a dedicated team of fund placement professionals focused exclusively on raising capital for private equity and other financial sponsors. Greenhill, like many professional service firms, believes its reputation is a cornerstone to success and is committed to acting in a manner that is consistent with the requirements of the regulatory authorities which oversee its activities. As a result, we take seriously the Commission's concerns over "pay to play" and other compromising practices that have tainted the view of placement agents.

Over the course of the last decade, the number of financial sponsors and private equity and similar funds has grown dramatically. New funds and investment advisors are established every year, as larger financial institutions revise their business models and former members of existing asset management teams strike out on their own to form new funds with new investment strategies. The plethora of investment choices for investors seeking to place capital in private equity and similar vehicles, which investors include both

private and public entities such as pension plans, can be both overwhelming and confusing. The processes of (i) raising capital in the private markets and (ii) identifying funds which meet any particular investors' criteria are both quite time consuming and require application of not inconsequential resources. Placement agents can play a legitimate and productive role in both processes.

Placement agents are generally paid by the sponsors of investment funds and provide an array of services in marketing, distribution, and project management including, (i) assisting in the process of describing the investment thesis of the investment advisor in such a manner as to be easily understood by potential investors, (ii) identifying potential investors for whom the investment in question would be suitable, and (iii) facilitating the due diligence process in which investors engage prior to making an investment decision. The elimination of placement agents would add a significant administrative and cost burden to fund sponsors seeking investors. Fund sponsors who rely on placement agents do so in part because they lack the in house capability or resources to dedicate to fundraising. Without such support from placement agents, the burden and distraction of fundraising could affect their ability to devote sufficient time to investment activities and oversight of existing investments, which in turn could have an adverse effect on investors. Moreover, placement agents offer much needed infrastructure to ensure compliance with securities laws governing private placements.

More importantly, from the point of view of the potential investor, a placement agent provides a valuable service in screening the potential investment opportunities and, with its knowledge of the broader universe of available investment funds, providing advice as to the range of choices available. Before agreeing to represent a fund sponsor, Greenhill performs extensive background checks and a full due diligence review of the potential fund client, its principals and previous investment track record. We devote significant time and effort to getting to know new fund managers. Given the importance to Greenhill of its reputation, Greenhill elects only to represent a small fraction of very high quality investment managers. As a result, when discussing the potential investment opportunity with an investor, Greenhill will be making a presentation on the basis of its extensive knowledge of the opportunity in the context of the broader array of choices. This enables investors, including public pension funds, to find less well known investment funds, such as non-US, small or first-time funds, which may nonetheless offer high quality investments. Given its regular dialogues with investors such as public pension plans, placement agents learn the investors' investment criteria and concerns, enabling placement agents to make assessments as the potential suitability of the investment presented for consideration which in turn permits investors to make better, more informed choices.

We believe that eliminating placement agents would introduce considerable inefficiency into the already laborious and time intensive investment process, which would challenge the ability of investment managers and fiduciaries to discharge their duties to the fullest extent. Without a dedicated infrastructure, it is difficult for investors to independently identify and evaluate appropriate investment opportunities; it would be particularly difficult to vet newer and smaller, less well known investment managers. The costs of eliminating the use of placement agents would ultimately be borne by the very investors the rules are designed to protect. Increased costs would be in the form of greater overhead costs as pension funds and other investors would need to add more resources to vet potential investments and potentially lower returns due to lack of access to some higher yielding, best-in-class funds.

We agree with previously submitted comment letters that suggest more prescribed regulation and enhanced disclosure as more effective means to address the concerns raised by the Commission. We agree with the suggestions made by others that limiting fund placement activity to registered broker-dealers who are already subject to regulation will preserve the availability of placement agents while providing a mechanism to curb and monitor abuses. We do not oppose (and in fact, have already adopted) limitations on political contributions (although we note that the "look back" provisions of the proposed rules may hamper our ability to hire new employees and promote existing employees with little apparent benefit in preventing abusive practices). We also believe that requiring enhanced disclosure of all fee arrangements and other relationships between investment managers and placement agents would further increase transparency and thereby reduce the potential for abuse. Increased disclosure is consistent with the approach taken by FINRA in other potential conflict-of-interest settings, e.g. requiring financial advisors to disclose fee arrangements in fairness opinions.

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We would be pleased to discuss any of the points made in this letter or answer any questions you may have. I can be reached at 212-389-1500.

Very truly yours,

Scott L. Bok
Chief Executive Officer