



The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

By email: chairmanoffice@sec.gov

May 28, 2019

Dear Chairman Clayton,

The Alternative Investment Management Association¹ ("AIMA"; "we") is writing to encourage the Securities and Exchange Commission ("SEC") to extend the staff's October 2017 no-action relief regarding the provision by broker-dealers of research that constitutes investment advice under Section 202(a)(11) of the Advisers Act ("SIFMA No-Action Letter").²

The SIFMA No-Action Letter was a helpful move by the SEC staff and has ensured that U.S. broker-dealers have been able to continue to provide research services to investment manager clients, who, by virtue of MiFID II, are required to pay separately for research and execution services.

As you will be aware, the SIFMA No-Action Letter was time-limited in nature and the relief that it provides is due to expire on July 3, 2020.

We believe that the most appropriate immediate step for the SEC staff at this time is to extend the relief provided by the SIFMA No-Action Letter in order to ensure that investment managers who are subject to the requirements of MiFID II can continue to obtain research from US broker-dealers without those broker-dealers having to seek authorisation under the Advisers Act.

We recognise that other industry participants have suggested that the SEC formalise the relief provided by the SIFMA No-Action Letter through rulemaking or guidance, whilst encouraging the SEC to make this relief available to payments for research from all institutional investors, regardless of whether they are subject to the requirements of MiFID II. We believe that there is

¹ The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with around 2,000 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than \$2 trillion in hedge fund and private credit assets.

² The SIFMA No-Action Letter provides time-limited relief until July 3, 2020, and provides that the SEC staff would not recommend enforcement action under the Advisers Act where a broker-dealer provides research that constitutes investment advice under Section 202(a)(11) of the Advisers Act to investment managers subject to the requirements of MiFID II. This requires in-scope investment managers to pay for research either directly or via a Research Payment Account ("RPA") funded by a charge to clients.

The Alternative Investment Management Association Ltd

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merit in exploring this possibility further in order to ensure that all investors are subject to a consistent approach.

We also note the SEC's interest in market solutions that may make the no-action relief unnecessary in future, by virtue of facilitating alternative approaches to paying for research.

However, our view at this time is that those solutions are neither sufficiently developed nor sufficiently widely adopted to provide a workable fallback for all market participants in a scenario in which the SEC decides not to extend the existing no-action relief.

Accordingly, we respectfully urge the SEC staff to extend the application date of the SIFMA No-Action for a further 20-month period in order to ensure that the SEC's industry engagement on this topic can continue. If the SEC subsequently decides to pursue rulemaking on this topic, or if it becomes evident that the no-action relief has ceased to be necessary, then it could at a future point in time be withdrawn before its expiry.

We would be happy to discuss this matter further. If you have any questions, please contact my colleague Jiří Król, Deputy CEO, Global Head of Government Affairs, at [REDACTED].

Yours sincerely,

A handwritten signature in black ink, which appears to read "Jack Inglis". The signature is written in a cursive style with a large initial "J".

Jack Inglis
Chief Executive Officer
AIMA

Cc:

The Hon. Robert J. Jackson Jr.

The Hon. Hester M. Peirce

The Hon. Elad L. Roisman

Raquel Fox, Director, Office of International Affairs

Morgan Macdonald, Senior Special Counsel to the Director, Office of International Affairs