



October 6, 2009

Securities and Exchange Commission  
100 F Street, NW  
Washington, DC 20549

RE: - Political Contributions by Certain Investment Advisers  
File No. S7-18-09

Dear Commission Members:

I have reviewed the Securities and Exchange Commission's proposed rule on Political Contributions by Certain Investment Advisers. I submit this comment letter regarding the "pay to play" practices by investment advisers.

In the wake of the New York State "pay to play" scandal, I became concerned about the misdeeds of a few and what could be done to prevent a re-occurrence of such activity. I agree with the objective of the proposed rule to eliminate political influence in the selection of investment advisers by state and local entities but believe that the prohibition on the use of placement agents is an unreasonable response to the corruption scandal in New York.

My firm, IM Compliance LLC, provides independent chief compliance officer services to mutual funds and compliance consulting services to registered investment advisers around the country. Having previously served as in-house counsel at several large mutual fund complexes with institutional clients and recently as an officer of several multi manager fund families, I have had the opportunity to experience firsthand the valuable services that placement agents can provide.

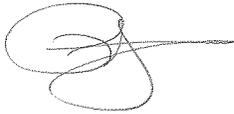
Many small investment advisers often utilize a placement agent to introduce the adviser to a wider field of potential investors including retail multi manager mutual funds or other large institutional investors. From my vantage point, placement agents make a significant investment of their time and reputation when they work with an adviser. Placement agents often provide information in presentation materials that is compliant with SEC performance guidelines, succinct answers to due diligence questionnaires, define and position the investment strategy within a product and can provide greater clarity to the adviser's message to a board considering enhanced or replacement sub-advisers.

A more balanced approach is called for than the prohibition of placement agents to assist in marketing investment products to the institutional investors including public pension plans and retail mutual funds. I believe that such an approach should include disclosure of the relationship and business economics of the arrangement between the adviser and the placement agent, potential conflicts of interest including contributions to or entertainment expenses incurred on behalf of elected officials or trustees and even the provision of a copy of the adviser's annual review of its compliance program which would cover third party arrangements and finder's fees.

In addition, a part of the proposed rule seeks to regulate political contributions to elected officials that are in a position to influence the selection of an adviser for providing investment advice to state or local governments. I do not address this part of the proposal in detail but believe that the low level of contribution limits to local candidates and state political parties is likely to be held by the Supreme Court to be unconstitutional violations of free speech as guaranteed by the First Amendment under the U.S. Constitution. I suggest that the Commission re-think and raise the contribution limits so as not impinge a "covered person" (as defined in the proposed rule) right to participate in the political process.

In closing, I thank you for the opportunity to voice my concerns and encourage the Commission to re-consider the ban on the use of placement agents, consider a more balanced approach through disclosure and review the constitutional concerns briefly mentioned above.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Peter R. Guarino', with a long horizontal stroke extending to the right.

Peter R. Guarino  
President  
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