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January 24, 2011

***Via E-mail to rule-comments@sec.gov***

Ms. Elizabeth Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

**Re: Proposed Rules Implementing Amendments to the Investment Advisers Act of 1940  
(Release No. IA-3110; File Number S7-36-10)**

Dear Ms. Murphy:

OppenheimerFunds, Inc. (“OFI”)<sup>1</sup> appreciates the opportunity to comment on those portions of the rules and rate amendments proposed in the above-captioned release (the “Release”) by the U.S. Securities and Exchange Commission (“SEC”) that would amend Rule 206(4)-5 (the “Rule”) of the Securities Exchange Act of 1934 (“Exchange Act”). The Rule was adopted in Release IA 3043 (July 1, 2010).

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<sup>1</sup> OFI is a registered investment adviser, providing investment management, transfer agency and, through its wholly owned subsidiary, OppenheimerFunds Distributor, Inc. (“OFDI”), distribution services to nearly 100 registered investment companies. OFI, with more than \$180 billion in assets under management, has been in the investment advisory business since 1960. The OppenheimerFunds mutual funds are sold to members of the public primarily by financial intermediaries that have selling agreements with OFDI.

OFI supports the Rule's stated goal of eliminating pay-to-play practices from the selection of investment advisers by government entities and applauds the SEC's efforts to address this complicated issue. Like the SEC, OFI believes in the importance of preserving a well-functioning market for investment advisers, and supports measures that would prevent distortion of the market as a result of improper political influence. We are concerned, however, that further steps need to be taken to achieve these important regulatory objectives. The implementation and administration of the rule will require that reporting obligations be imposed on certain intermediaries, as explained below.

The pay-to-play rule imposes detailed reporting and recordkeeping requirements on advisers. Advisers, however, do not own, control, or possess all information they are requested by the rule to maintain (i.e., the identity of government entities invested in a fund advised by the adviser). As a result, they must obtain this information from the mutual funds holding the government accounts. More often than not, this information is not within the fund's ownership, control or possession. This is because the majority of accounts held on funds' books and records are omnibus accounts held by financial intermediaries and the persons holding positions within the account are unknown to the mutual fund.

Many of these financial intermediaries are broker-dealers that are subject to the Commission's jurisdiction. To date, the Commission has not imposed upon them a legal duty to provide to advisers (or to funds on behalf of the advisers) the information these intermediaries own, control or possess regarding which government entities hold accounts with the fund through the intermediary. As a result of this disconnect, advisers such as OFI are very concerned about their ability to obtain this information from their intermediaries in order to comply with their new regulatory requirements.

OFI strongly recommends that the Commission remedy this situation by requiring broker-dealers and other persons, such as transfer agents, subject to the Commission's jurisdiction to provide advisers and funds with the account information the adviser is required by law to have in order to comply with the Commission's pay-to-play rule. We fear that the Commission's failure to do so will result in the inability of advisers such as OFI to comply fully with the new pay-to-play rule's recordkeeping requirements through no fault of their own.

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OppenheimerFunds, Inc. is grateful for the opportunity to provide its comments to the SEC and its staff on the proposed rules related to investment advisers and amendments to the Rule. We also wish to express our concurrence with the comments submitted on the proposed rules by the Investment Company Institute. If you have any questions, please feel free to contact me at (212) 323-5062.

Respectfully submitted,

/s/ Ari Gabinet  
Ari Gabinet  
Executive Vice President &  
General Counsel

cc: The Honorable Mary L. Schapiro, Chairman  
The Honorable Kathleen L. Casey, Commissioner  
The Honorable Elisse B. Walter, Commissioner  
The Honorable Luis A. Aguilar, Commissioner  
The Honorable Troy A. Paredes, Commissioner

Jennifer B. McHugh, Acting Director  
Robert E. Plaze, Associate Director  
Division of Investment Management