January 24, 2011

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609
Attn: Ms. Elizabeth M. Murphy, Secretary

Re: Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers with Less Than $150 Million in Assets Under Management, and Foreign Private Advisers (File No. S7-37-10)

Dear Ms. Murphy:

Susquehanna International Group, LLP (collectively, with its related and affiliated entities, "SIG") appreciates this opportunity to comment on the proposed exemptions from the Investment Adviser Registration requirements. SIG is a privately-held, proprietary trading firm which engages in market making, trading, institutional brokerage and private equity activities. In the course of SIG's ordinary business activities, SIG uses certain commonly owned and controlled affiliates in roles in which these affiliates could fall under the definition of "Investment Advisers" under the rules currently proposed (the "Proposed Rules") pursuant to the Investment Advisers Act of 1940 (the " '40 Act") as amended by Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), also known as the Private Fund Investment Advisers Registration Act (the "Investment Advisers Act"). The Securities and Exchange Commission (the "Commission") has proposed certain limited exemptions (the "Exemptions") for several categories of advisers from the registration requirements of the Investment Advisers Act. SIG would be impacted greatly in the event that the Commission adopts the Proposed Rules with the limited Exemptions as currently contemplated. For the reasons described below, we respectfully request that the Commission expand the Exemptions to include investment advisers that are under common control, have substantially identical beneficial ownership with the investors for which they provide advisory services and do not hold themselves out as providing advisory services to the general public.

In general, the Investment Advisers Act requires managers of hedge funds and private equity funds to register with the Commission, unless they fall within certain exemptions from the registration requirement. A principal goal of this registration is to enable more oversight by the Commission over advisers and thus to provide better protection for the advisers' clients and investors. The previous exemptions from registration under the '40 Act for private advisers with a limited number of clients have been repealed and a new set of exemptions have been proposed. These new exemptions would apply to: (1) advisers solely to "private funds" that have less than $150 million of assets under management, (2) non-U.S advisers that have less than $25 million in assets under management from less than 15 U.S. clients and (3) advisers solely to "venture capital funds." While these exemptions do exclude certain entities which are not intended to be

the primary focus of the Investment Advisers Act from registration requirements, SIG respectfully submits that these exemptions are too narrow and subject entities to registration in situations in which client protection is not a concern.

SIG is a diversified financial investment and trading organization. It is privately held by a small number of individuals (and trusts for the benefit of their family members) and employs a corporate structure in which, for various business reasons, some of its entities use the services of certain "adviser" affiliates which share a substantially identical beneficial ownership structure to the entities they advise. Because both the investment advisers and the entities being advised are under common control and have substantially identical beneficial ownership, the existence of an advisory relationship in SIG's circumstances does not create the same concerns or need for investor protection that the typical "fund" structure with third party limited partners creates.

Section 202(a)(11) of the '40 Act currently defines an 'investment adviser' as "any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities... but does not include... (G) such other persons not within the intent of this paragraph, as the Commission may designate by rules and regulations or order." [emphasis added].

The phrase "advising others" suggests that the intent of the statute is to encompass advisers that provide services to third parties. SIG submits that no other person is being advised when an investment adviser and the entities it advises are under common control and have substantially identical beneficial ownership. As such, we respectfully request that the Commission determine that investment advisers that are under common control, have substantially identical beneficial ownership with the entities for which they provide advisory services and do not hold themselves out as providing advisory services to the general public are not within the intent of the definition of 'investment adviser' and create an explicit exemption from '40 Act registration for such advisers. We also propose that "substantially identical beneficial ownership" be defined as ultimate beneficial ownership of the investment adviser and the entity receiving the advisory services which is at least 80% identical (exclusive of trusts and other estate planning tools). This 80% threshold ensures that beneficial ownership is primarily the same between the two entities, but allows the principal owners to provide small amounts of ownership to their family members or key employees of the entities.

The Investment Advisers Act provides for a similar exemption for "family offices" in new subpart (G) of the definition of 'investment adviser'. The proposed rules regarding an exempted family office require that (1) the office have only "family clients", with such term defined to generally include certain direct family members and key employees of the family office, (2) the family office be wholly owned and controlled by family members and (3) the family office not hold itself out to the public as an investment adviser. This language is intended to exclude from registration any advisers that are providing services only to the persons owning and controlling such entity.

The main principle behind this exemption is the lack of need to protect investors in a structure in which the interests of both the adviser and the person being advised are fully aligned. These principles and interests are not limited to families, but also arise (as in SIG's case) when a

limited number of people pool their resources to operate a financial business together and where the advisers only advise entities under common control and with substantially identical beneficial ownership. As with a family office, there is no need to protect these "investors" by requiring registration when they control both the adviser and the entities being advised. Accordingly, SIG respectfully requests that a similar exception be created for investment advisers that are under common control, have substantially identical beneficial ownership with the entities for which they provide advisory services and do not hold themselves out as providing advisory services to the general public.

Further, Section 202(a)(11) of the '40 Act provides for a general catch-all provision which allows the Commission to exempt from the definition of investment adviser "such other persons not within the intent" of the definition. Again, the main purpose of the legislation is to protect investors who rely on investment advisers in making their investment decisions and require reporting from these advisers which discloses conflicts of interest, fee structures and other information which a prudent investor would consider relevant when evaluating potential advisers. In situations (which include family offices) where the advised entity already has complete access to all information concerning the investment adviser because the investment adviser is under common control with and has substantially identical beneficial ownership as the entities for which it provides advisory services, the disclosures called for pursuant to registration under the '40 Act are unnecessary.

In conclusion, for the reasons explained above, SIG respectfully requests that the exemptions from the Investment Advisers Act be revised to include not only "family offices," but also the situation where the investment adviser and the entity being advised are under common control, have substantially identical beneficial ownership and do not hold themselves out as providing advisory services to the general public. Additionally, we request that "substantially identical beneficial ownership" be defined as ultimate beneficial ownership of the investment adviser and the entity receiving the advisory services which is at least 80% identical (exclusive of trusts and other estate planning tools). By excluding such entities from the registration requirements of the '40 Act, the Commission will also be better able to allocate its resources and focus on the true target of this legislation – investment advisers servicing third party investors – and provide more complete and thorough oversight and protection to the investing public.

Thank you for your consideration.

Sincerely,

Brian Sopinsky
General Counsel