



Ohio Public Employees Retirement System

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Sent Via E-Mail to: rule-comments@sec.gov

August 6, 2004

Mr. Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: File Number S7-30-04

Dear Mr. Katz:

The Ohio Public Employees Retirement System (OPERS) is a \$60.05 billion fund serving three quarters of a million Ohioans, making the system the 10th largest state pension fund in the U.S. We are writing to you in support of the Securities and Exchange Commission's (SEC) proposed Rule 203(b)(3)-2 that would require hedge fund advisers to register with the SEC under the Investment Advisers Act of 1940.

Mandatory hedge fund registration is another significant step forward in helping to protect investors and prevent fraud. Although OPERS does not currently invest in hedge funds, we are taking a closer look at this emerging asset class. However, since other public and private pension funds do invest in hedge funds, hedge fund exposure continues to expand to millions of smaller investors who live on modest incomes. It is also interesting to note that in order to do business with these pension fund clients, many hedge fund advisers have already voluntarily agreed to register with the SEC in order to meet client requirements.

According to Hennessee Group LLC, since the end of 2000, hedge fund assets have grown to \$845 billion from about \$400 billion and the number of hedge funds has increased to 7,000 from approximately 4,800 in 2001. The rapid growth rate of hedge funds has been substantially larger than any other sector in the financial markets. According to Tass Research, a unit of Tremont Capital Management, hedge funds gained a record \$38.2 billion in the first quarter of 2004, the fourth consecutive quarterly record of money inflows.

The significant growth in hedge fund investing raises important public policy considerations that warrant SEC review and oversight. The rapid rate of growth in hedge fund investing has also been coupled with significant growth in the number of SEC hedge fund fraud enforcement cases. Advisors to hedge funds have been key actors in the recent mutual fund scandals involving

Mr. Jonathan G. Katz
August 6, 2004
Page 2

illegal late trading and market timing where advisors exploited investors for their own financial gain. Approximately forty different hedge funds were involved in these cases and included hedge funds managed by Canary Investment Management, LLC.

Moreover, the recent mutual fund scandals follow on the heels of the 1998 near-collapse of Long-Term Capital Management (LTCM), the hedge fund run by Nobel laureate Myron Scholes. The financial meltdown of LTCM was of such a significant magnitude that it even threatened the stability of international capital markets until Alan Greenspan, the Federal Reserve Chair, organized a \$3.6 billion bailout for the fund. The improper valuation of hedge fund assets by hedge fund advisors played a significant role in LTCM and also in a number of other hedge fund failures. In fact, Tass Research estimates that about 10% of hedge funds worldwide have quietly closed each year for the past five years and last year, 1,600 new hedge funds opened while 600 closed.

Hedge fund registration would increase hedge fund transparency, particularly as it relates to adequate risk disclosure, by providing the SEC with valuable information about hedge funds and funds of hedge funds, another growing sector. Registration with the SEC would also permit screening individuals associated with the advisor and provide the SEC the ability to deny registration to particular individuals if they have been convicted of a felony or have a disciplinary record that subjects them to disqualification. Further, we agree with the SEC that offshore advisers to hedge funds should be treated similar to any other type of offshore adviser that provides advice to U.S. residents.

We applaud the SEC's leadership on this issue in taking another significant step forward to continue to strengthen investor protections. Thank you for providing us with this opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "Laurie Fiori Hacking".

Laurie Fiori Hacking
Executive Director