

Orin S. Kramer  
Chairman  
New Jersey State Investment Council  
600 Madison Avenue, 18<sup>th</sup> Floor  
New York, NY 10022

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

Re: SEC Proposed Rule S7-30-04

Please find attached a letter from Orin S. Kramer, Chairman of the New Jersey State Investment Council containing comments regarding SEC Proposed Rule S7-30-04 concerning registration under the Advisers Act of certain hedge fund advisers.

Sincerely,

Orin S. Kramer  
Chairman  
New Jersey State Investment Council

Dear Chairman Donaldson:

On behalf of New Jersey's pension fund system, the seventh largest pension fund in the nation, I commend you for your effort to impose SEC registration requirements on hedge funds. We recognize that this step would increase costs for hedge fund managers, and we understand legitimate concerns about straining the resources of the agency. Nonetheless, we strongly endorse your effort, for three basic reasons.

First, there are significant numbers of retail investors who, through one vehicle or another, are beginning to invest in hedge funds.

Second, hedge funds represent the fastest growing asset class for pension funds. We believe registration and SEC oversight would provide at least some added protection for major institutional investors with limited background in this area.

Third, and most importantly, the sharp growth of hedge fund assets has elevated the significance of these entities to financial markets. Popular perceptions aside, most hedge funds appear to follow reasonably low-risk strategies. On the other hand, some funds – like banks, securities firms and others – employ strategies which under extreme conditions could have material adverse effects on financial markets. Given the degree of leverage in our financial system, this risk is not remote. Effective SEC oversight cannot eliminate these long-tail outcomes, but an understanding of major hedge fund strategies at the SEC would mitigate the risk.

We commend you on your efforts.

Sincerely,

Orin S. Kramer  
Chairman  
New Jersey State Investment Council