March 23, 2017

Ronald W. Smith, Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street, Suite 1000
Washington, DC 20005

***Re: MSRB Notice 2017-04: Request for Comment on* Draft Amendments to MSRB Rule G-21, on Advertising, and on Draft Rule G-40, on Advertising for Municipal Advisors.**

Dear Mr. Smith;

I am writing to you today on behalf of the Third-Party Marketer's Association ("3PM") to express the thoughts and concerns of our association regarding the draft provisions proposed in MSRB Notice 2017-03. While it is our goal to respond to requests for comments in a manner beneficial to the majority of 3PM's members, it should be noted that the views of the commenters involved in preparing this response may not be representative of the views of the entirety of the 3PM membership or our industry group in general. 3PM's response will be from the perspective of a solicitor municipal advisor and will be related solely to Rule G-40.

Municipal Advisory Client Definition

First, before commenting on the rule, we would like to ask for clarification of the definition of "municipal advisory client" discussed in Regulatory Notice 2017-04. This is an important point of clarification since the definition of this term impacts the entire reading of proposed Rule G-40.

The definition of an advertisement in Rule G-40(a)(i) has been tailored to municipal advisors and discusses the term "municipal advisory client". G40(a)(iii) defines "municipal advisory client" as identical to the definition of that term as set forth in the recent amendments to Rule G-8, effective October 13, 2017.

The definition of a "municipal advisory client as outlined in G-8 (e) as well as the definition outlined in G-40 states: "For the purposes of this rule, a municipal advisory client shall include either a municipal entity or obligated person for whom the municipal advisor engages in municipal advisory activities, as defined in Rule G-42(f)(iv), or a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser (as defined in section 202 of the Investment Advisers Act of 1940) on behalf of

whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act."

The definition starts with the language "a 'municipal advisory client' shall include **either**" and then goes on to define the two definitions of what constitutes a "municipal advisory client".

The first part of the definition states that the definition shall include "either a municipal entity or obligated person for whom the municipal advisor engages in municipal advisory activities, as defined in Rule G-42(f)(iv)". Given that Rule G-42 is called "The duties of Non-Solicitor Municipal Advisors" our reading of this means that the first part of the definition does not apply to solicitor municipal advisors.

The second part of the definition states that a "municipal advisory client" is a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser (as defined in section 202 of the Investment Advisers Act of 1940) on behalf of whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person. Under this part of the definition, the investment manager that engages a solicitor municipal advisor would be considered a "municipal advisory client" under G-40 as well as the under the complaint rules.

While ours is a technical interpretation of the definition of "municipal advisory client", we do not believe that this was the intent of the MSRB. The MSRB was given purview over municipal advisors as a way to protect municipal entities from unregistered activities. Given this, it makes no sense that the only advertisements covered by G-40 for solicitor municipal advisors would be those we use to solicit investment managers and not the municipal entity which we are soliciting on behalf of our investment manager client.

Given this, a minor adjustment to this definition, would fix the issue. We believe that the MSRB should remove the language in the definition referring to Rule G-42 and instead reference a rule whereby the definition of "municipal advisory activities" apply to both solicitor and non-solicitor municipal advisors.

Furthermore, it is our belief that the term "engages", which is utilized in a multitude of rules issued by the MSRB and approved by the SEC, should be clarified especially for solicitor municipal advisors for which this word has multiple meanings.

3PM's comments going forward will be based on what we believe is the intent of the rule and will consider an advertisement to a "municipal advisory client" to apply to not only the investment manager clients that engage us, but also to any advertising that is sent to a municipal entity in regards to the advisory services we are soliciting.

Definition of an Advertisement

Generally, 3PM is not averse to the definition of an advertisement, unless otherwise noted in this response.

Form Letter

For purposes of Rule G-40, the term "form letter" is defined as any written letter or electronic mail message distributed to more than 25 persons within any period of 90 consecutive days.

When beginning an engagement with a new investment manager, marketers will often draft an introductory letter that will be sent out to prospects. These letters will likely all contain the same content, but will be personalized by a third party marketer prior to sending. Often, third party marketers will cover a segment of potential investors, and in the case of firm's marketing to institutional investors, this list of potential investors could contain, hundreds or thousands of potential investors depending on the size of the firm. Alternatively, based on the offering, these letters might only be sent to a handful of prospects. While these letters will not likely be sent out in one batch, sales professionals often send a few at a time and then follow-up by phone.

In most situations, a solicitor municipal advisor will be able to distinguish which letter will go out to more than 25 persons within 90 days, smaller firms may have a difficulty determining this up front. However, given that Rule-G40 will only require that advertisements be pre-approved if the advertisement is sent to 25 or more "municipal advisory clients", many solicitor municipal advisors may have a more difficult time discerning this fact.

Given the logistical complexities of isolating one potential investor type from an entire distribution channel most solicitor municipal advisors will instead take the more conservative route and have a Principal pre-approve the "form-letter" prior to allowing their sales professionals to send out the letter.

While this seems easy enough, there is however a cost involved. This process will require solicitor municipal advisors to dedicate more compliance resources to oversee this procedure. Compliance will now not only be responsible for pre-approving all "form-letters" but they will also be required to track who the email was sent to, segregating out the municipal entities from other prospects.

Furthermore, once the classification is put into place, pre-approval will be required from a municipal advisor Principal, requiring firms to add more municipal advisor Principals.

While this may seem like a small incremental cost, the issue is that being solicitor municipal advisors requires registration with multiple regulators. Given this, every time a regulator adds or changes a rule, it requires firms to re-evaluate their compliance functions and often, add to their compliance resources which is costly in terms of both time and dollars. Given this, we have seen many solicitors trying to

evaluate whether working with municipal entities is worthwhile. While the cost of doing business might be worth it for conducting business in an entire distribution channel, many firms do not think the cost is commensurate for the potential revenue that might be earned by engaging a municipal entity and instead may choose to exit this business altogether. Furthermore, as this rule does not apply to internal sales and marketing professionals working on behalf of an investment adviser who is their employer, entities that work in an external role and who are identify as 'solicitor municipal advisors' are constrained by this Rule when working on behalf of third party investment advisers. We believe that this creates an unfair playing field and is detrimental to the goal of fair and open markets.

Should municipal advisor solicitors choose to exit this business, investment managers will need to find other avenues to offer their services to municipal entities or also determine to exit this sub-channel. If this were to occur, public entities would have less access to the products that municipal advisor solicitors represent and the investment arena would be further monopolized by the largest firms who can afford an internal team infrastructure.

Most of our members, given that they are small in terms of number of employees, are already resource constrained when it comes to compliance. Adding additional responsibilities on to an already overwhelmed compliance staff to accommodate yet another regulatory rule that is not harmonized across the industry is frankly unfair to small firms from a competitive standpoint and will prevent the formation and growth of new small firms in this industry.

We believe that further harmonization with FINRA would help facilitate this process and alleviate an unnecessary burden that will be put on small firms.

Content Standards

The content standards in general are in line with FINRA rules, however, they specifically refer to advertisements pertaining to municipal securities, municipal financial products or the issuance of the municipal security. As mentioned earlier, 3PM's members who are municipal advisor solicitors do not offer any type of municipal security or municipal financial products. Our members offer either investment advisory services managed by investment management firms or securities issued by private issuers. Accordingly, the MSRB's content standards as written in ***Section iv (A)*** and ***(D)*** do not apply to our members.

3PM is not averse to the standards set out in ***Section iv (B), (C)*** or ***(H)***.

We believe ***Section iv (E)*** is at odds with FINRA's advertising rules which segregate institutional investors from retail investors and address the nature of the audience to which an advertisement is sent. Given this we believe that the MSRB should also consider segregating advertisements by investor group as well for solicitor municipal advisors. This would allow for further harmonization with other regulatory authorities and streamline the rules for more sophisticated investors, like muni entities with whom we

engage. Please see additional comments on this discussion below in the first question the MSRB asked firms to share their opinions on.

While we appreciate the MSRB's attempt to harmonize ***Section iv (F)*** with FINRA rules, this provision is one that we are also against in FINRA's Retroactive Rule Review of their Communications with the Public Rule. While we agree that past performance may not recur, we do believe that being allowed to discuss the targeted return for investment products and services should be permitted to at least some investors, namely institutional investors which include municipal entities.

Most investment advisers and fund sponsors want to be able to provide investors with some type of targeted return so they can better understand whether the risks and rewards of a strategy are balanced. Furthermore, when looking for an investment, investors, specifically institutional investors, which most our members with, will want to be able to tell immediately if an investment warrants a further look. In the day and age when investors are inundated with product, they need a mechanism by which they can shrink down the enormous universe of investments into a small sub-set of strategies at which they can look at more closely. Targeted return is one of the ways they do this.

If not permitted to do this, municipal advisor solicitors are put at a disadvantage when offering product to investors. Fund managers and their internal employees will always discuss the targeted return of an investment. This leads to an uneven playing field in a very competitive market place where many investors will immediately pass on a product that does not show a targeted return.

Inherently, 3PM does not believe that what information is permitted to be shared should differ by who is delivering the message. This puts solicitors at a disadvantage, and hurts the investment advisers that choose to hire solicitors rather than in-house employees. In our opinion, regulators should not be influencing the business decisions an investment manager makes in regards to whether to hire internal or external sales and marketing professionals.

3PM's members are not averse to including disclosures explaining how the targeted performance was calculated or disclosures that reinforce that there is no guarantee that the investment will actually generate the targeted return. It is important to reinforce that we do not think that targeted returns should be allowed for all investors. We do however fee that institutional investors, most of whom either have an experienced gatekeeper assisting with their investments or a knowledgeable internal staff who is accustomed to reviewing available products and ascertaining whether the targeted return is reasonable in light of the investment strategy and approach, should be permitted to receive materials with projected or targeted returns.

As such we believe both the MSRB and FINRA should further investigate this issue and allow third party marketers to operate on a level playing field with others offering product.

Section iv (G) prohibits a municipal advisor from using a testimonial in an advertisement. This is a harmonization with SEC rules, but not with FINRA rules which allow for the use of testimonials. This creates issues for municipal advisors that are registered with both the MSRB and FINRA.

We believe that It is particularly problematic for those firms that allow their Associated Persons to utilize social media sites that give users the ability to like or recommend items on the platform. Such a divergent set of rules requires firms to either further segregate their businesses to avoid these conflicts or requires them to adhere to the stricter of the conflicting standards.

While we are not necessarily against the notion of adhering to the strictest standard, this approach does require additional compliance and oversight resources to be dedicated to a function and ultimately results in additional cost to the municipal advisor.

Professional Advertisements

3PM requests some clarity be provided in regards to ***Section (b) Professional Advertisements*** of the Rule.

As we discussed in this comment letter, 3PM's municipal advisor solicitor members generally have two sets of clients. First the investment managers that contract with us to offer their services or securities to potential investors and second, the municipal entities that we solicit to invest with our investment manager clients.

3PM members will not send "professional advertisements" to municipal entities, since they are not the ones that will engage our services. Alternatively, for the purpose of "professional advertisements", our members will only advertise to investment managers. More often than not, 3PM's members are not approaching potential investment manager clients saying 'I will solicit public entities on your behalf'. Rather the conversation is generally based on the services a third-party marketer can supply to the manager in terms of capital raising and marketing support services industry wide.

Generally, third party marketers will discuss potential investors in the context of whether they are institutional investors or individual investors. Further, if a third-party marketer discussed its experience with institutional investors it will most often discuss several potential sub-channels including Corporations, Endowments, Foundations, Family Offices, Investment Consultants, RIAs, Wealth Manager Platforms and Public Funds (municipal entities). In other words, the discussion of soliciting to municipal entities is generally a part of a bigger discussion relating to institutional mandates overall, whether through public entities or private ones.

Given the above, along with the fact that a third-party marketer's advertisements may not specifically discuss offering securities or services to a municipal entity, would the advertisement of a third party marketers "general" services, constitute a "professional advertisement?" Please provide some

clarification on this issue and help us understand where the line would be drawn for a professional advertisement. For example, would the mention of the ability to solicit to a municipal entity cause the advertisement to require pre-approval by a Principal in advance or would the advertisement need to mention a specific municipal entity to trigger the requirement?

Approval by Principal

Under FINRA rules, Registered Representative generally have some latitude in sending materials to institutional investor, since these materials do not require Principal pre-approval. Given the lack of harmonization with FINRA rules, many third party marketers will be required to increase their compliance resources to accommodate this new rule. See discussion on form-letter for more information on 3PM's view point.

In addition to the information above, we also wanted to share our **opinions on some of the questions posed in 2017-04:**

- **The draft amendments to Rule G-21 and draft new Rule G-40 incorporate and/or harmonize the provisions of those rules with certain provisions of the advertising rules of other financial regulators. Are there other provisions of the advertising rules of those financial regulators which the MSRB should consider either incorporating into MSRB rules or with which the MSRB should consider harmonizing its advertising rules?**

  Although Rule G-40 may be in harmony with the SEC's advertising rule, many of 3PM's members are also registered with FINRA, not the SEC. While the definition of an advertisement is similar in scope to FINRA's retail communication definition, FINRA also separates communications with the public by the audience that will be receiving the communication. For example, most of 3PM's members deal with entities that fall under the definition of institutional investors, which does not subject the advertisement to pre-approval by a Principal of the firm.

  Given that third party marketers are soliciting investors for a private issuer who is likely to be a registered investment adviser, it is very common that the marketer will want to send out the investment adviser's quarterly review and update to potential investors. Such pieces discuss the advisory service's performance versus a stated benchmark and sometimes an applicable peer group. This type of information helps investors to determine the competitive nature of an advisory product or whether the product is performing according to characteristics the investment adviser has told them will influence performance.

  When sending out these quarterly letters, third party marketers may send them to an approved distribution list of potential institutional investors. Until now, given the institutional nature of these mailings, they have not been subject to pre-approval. Now under the MSRB's proposed

rule, such a mailing would be considered an advertisement if it is sent to more than 25 "municipal advisory clients".

In addition, third party marketers are now required to carveout one sub-set of institutional investors from their marketing efforts (municipal entities or public funds) and treat them differently because of the SEC and MSRB's oversight. This not only creates confusion with a third-party marketing firm but also requires additional man hours to monitor and carve out those potential investors that are treated differently than the rest.

This leaves third party marketers with two options:

- Carve out municipal entities from the rest of the institutional investor channel and subject just these firms to the municipal advisor rules or
- Treat all institutional investors equally but hold them to the highest standard; that of municipal entity.

The issue here is that both solutions create an uneven playing field for those third-party marketers working with municipal entities and who are registered as municipal advisors.

If a firm decides to carve out municipal entities from the rest of the institutional investor universe, it is likely that the firm will require additional compliance resources to handle the more complex processes that must now be followed.

While the second alternative would also require additional compliance resources to treat all investors the same under the municipal advisor rules, it would also complicate the reporting requirements municipal advisors have to the SEC and MSRB. In addition, this approach would create an unlevel playing field between third party marketers who are municipal advisors and those who are not registered or required to follow the MSRB's rules. It could also potentially place an investment adviser client at a disadvantage in regards to what they could send out themselves to a public entity or a municipal advisor solicitor could send out to a non-public entity

- **The MSRB drafted a new rule, draft Rule G-40, to address advertising by a municipal advisor. An alternative approach would be to address municipal advisor advertising in Rule G-21. Would the current approach of having a new rule, or an alternative approach including all advertising provisions in one rule, be preferable?**

  In 3PM's opinion, the rules for municipal advisors are already confusing enough given different requirements for solicitor and non-solicitor municipal advisors. Including municipal advisor

advertising within the body of G-21 would only complicate the issue further. We believe the municipal advisor rules should remain as Rule G-40, separate from G-21.

A perfect example of the confusion created by this is exemplified by Rule G-8. In general, the part of the rule that applies to municipal advisors is contained in section (h), Municipal Advisor Records. Alternatively, the definition of a "municipal advisory client" is buried with in the text of the rule in section (e) of this rule, definitions.

Given the rule segments out the municipal advisor records that need to be maintained, we believe that it is unrealistic to expect municipal advisors to read through pages of rule text to find this definition. This approach will only lead to confusion by municipal advisors who are trying to understand what applies to them.

It is our opinion that creating a streamlined rule-set that applies only to municipal advisors is the best course of action and the most efficient approach for those operating under these rules.

- **The draft amendments to Rule G-21 permit hyperlinks to obtain more current municipal fund security performance information. Are there other areas where the MSRB should consider expressly permitting the use of a hyperlink in an advertisement?**

  Contrary to how the rule was written, we believe that it was in fact the MSRB's intent to include sales literature relating to an investment adviser to also be covered by Rule G-40. Given this, we believe that when utilizing sales literature regarding an investment adviser's offerings that it is often necessary to create long disclosure to create a fair and balanced representation of the benefits and risks associated with the advisory service. In some instances, this results in a disclosure which is multiple pages long, even for a one page investment summary. Given this, 3PM would suggest that municipal advisor solicitors should be permitted to include a link in all advertisements to a full disclosure while including a summary disclosure in the actual advertisement.

- **A municipal advisor may market non-security products, such as a software program, to its municipal advisory clients. Draft Rule G-40(a) applies to any material (other than listings of offerings) published or used in any electronic or other public media, or any written or electronic promotional literature distributed or made generally available to municipal advisory clients or the public, including any notice, circular, report, market letter, form letter, telemarketing script, seminar text, press release concerning the services of the municipal advisor, or reprint, or any excerpt of the foregoing or of a published article. Nonetheless, should draft Rule G-40 specifically address advertisements relating to non-security products, such as any software program, that the municipal advisor may market to its municipal advisory clients?**

We believe that guidance regarding advertisements of non-security products should only be put in place for firms who are also conducting a security business and who have "municipal advisory clients" that they plan to send non-security advertisements to. Firms who have "municipal advisory clients that they are also soliciting on behalf of non-security products should be required to advise the buyers in the municipal entity of the arrangements that already exist with a municipal advisor. We also believe that the reverse should be true and any municipal advisor who has a municipal entity client for a non-securities product should have to disclose this relationship to the municipal entity if they decide to advertise a security product to the municipal entity.

- **Rule G-21 and draft Rule G-40 apply to advertisements, regardless of whether electronic or other public media is used with those advertisements. As such, Rule G-21 and draft Rule G-40 apply to an advertisement on social media. Nonetheless, should the MSRB consider specific guidance about the use of social media by a dealer or a municipal advisor? If so, what guidance would be helpful?**

  Yes, we believe that the MSRB should issue guidance for dealers and municipal advisors using social media for advertisements. Guidance should relate to profiles, posting of advertisements and other information to social media sites, static versus interactive content, comments and likes of other people's posts and whether this action is considered a testimonial. The MSRB should review FINRA's guidance as well as other regulators who have issued guidance in this area and where possible harmonize the MSRB's guidance to municipal advisors and dealers.

- **The draft amendments to Rule G-21 and draft Rule G-40 prohibit a dealer or municipal advisor from using an advertisement that, in part, predicts or projects performance, but does not prohibit the use of an investment analysis tool. How often are such tools used? Should the MSRB consider additional guidance about the definition of an investment analysis tool and about the use of such tools?**

  3PM's members do not advertise any such investment analysis tools.

- **Rule G-21 and draft Rule G-40 do not except a private placement memorandum from the definition of an advertisement. Should the MSRB consider providing guidance about (i) a dealer's potential recommendation of a private placement, (ii) a dealer's or municipal advisor's potential role in a private placement, such as with the preparation of a private placement memorandum, and/or (iii) dealer and municipal advisor supervisory obligations concerning private placements?**

  It is our understanding based on conversations with the SEC and MSRB that most of 3PM's members would not generally work with private placement memorandums under their municipal advisor registration. 3PM's members who solicit investors for private placements

offered through a commingled fund are registered with FINRA and offer interests of private placements of a third party private issuer, not a municipal entity. As such, these members would not be engaging in the solicitation of investment advisory services. Please confirm this understanding.

Furthermore, sub-bullet (i) asks about a dealer's potential recommendation of a private placement. We are also requesting clarity as to whether this refers to a municipal dealer or a traditional broker / dealer. Again, given our understanding of the definition of a municipal advisor, a broker / dealer offering securities to municipal entities would not be required to register as a municipal advisor. Please confirm this understanding.

As part of a 3PM's role, our members often provide private issuers with comments and feedback related to the content contained in private placement memorandums. This guidance is not legal advice but is related to terms and conditions contained in these offering documents and whether certain potential investors would be comfortable with such items. Given our member's experience in dealing with private placements, our feedback is often very helpful to issuers who plan to offer their securities in a variety of distribution channels.

Furthermore, given that a private placement memorandum as it related to a private issuer is a legal document, our members would never send these documents out on a wholesale basis to potential investors. Private placement memorandums are only sent to those potential investors who are interested in the offering and are conducting a due diligence review. Given the nature of a private placement memorandum for private issuers, we do not believe these documents should be classified as an advertisement and should be excepted from the rule as are preliminary official statements, official statements, preliminary prospectuses, summary prospectuses or registration statements.

- **FINRA recently requested comment on proposed amendments to FINRA Rule 2210. Those amendments would create an exception to the rule's prohibition on projecting performance to permit a firm to distribute a customized hypothetical investment planning illustration that includes the projected performance of an asset allocation or other investment strategy. How often do dealers or municipal advisors create such illustrations? Should the MSRB consider such an exception in the draft amendments to Rule G-21 and in draft new Rule G-40?**

  The text of this response was excerpted from Section iv (F) Content standards above and is added here verbatim to express our opinion on this question.

  While we appreciate the MSRB's attempt to harmonize ***Section iv (F)*** with FINRA rules, this provision is one that we are also against in FINRA's Retroactive Rule Review of their Communications with the Public Rule. While we agree that past performance may not recur, we do believe that being allowed to discuss the targeted return for investment products and

services should be permitted to at least some investors, namely institutional investors which include municipal entities. As noted previously, this is also permitted for internal marketing staff and investment managers themselves.

Most investment advisers and fund sponsors want to be able to provide investors with some type of targeted return so they can better understand whether the risks and rewards of a strategy are balanced. Furthermore, when looking for an investment, investors, specifically institutional investors, which most our members with, will want to be able to tell immediately if an investment warrants a further look. In the day and age when investors are inundated with product, they need a mechanism by which they can shrink down the enormous universe of investments into a small sub-set of strategies at which they can look at more closely. Targeted return is one of the ways they do this and is as stated—targeted—and not guaranteed in anyway.

If not permitted to do this, municipal advisor solicitors are put at a disadvantage when offering product to investors. Fund managers and their employees will always discuss the targeted return of an investment. This leads to a very uneven playing field in a very competitive market place where many investors will immediately pass on a product that does not show a targeted return. This not only puts solicitors at a disadvantage, but it also hurts the investment advisers that choose to hire solicitors rather than in-house employees. In our opinion, regulators should not be influencing the business decisions an investment manager makes in regards to whether to hire internal or external sales and marketing professionals.

3PM's members are not averse to including disclosures explaining how the targeted performance was calculated or disclosures that reinforce that there is no guarantee that the investment will actually generate the targeted return. It is important to reinforce that we are not commenting on the appropriateness of providing targeted returns to all investors. We do however feel that institutional investors, most of whom either have an experienced gatekeeper assisting with their investments or a knowledgeable internal staff who is accustomed to reviewing available products and ascertaining whether the targeted return is reasonable in light of the investment strategy and approach, should be permitted to receive materials with projected or targeted returns.

As such we believe both the MSRB and FINRA should further investigate this issue and allow third party marketers to operate on a level playing field with others offering product.

- **What is the likely impact of the draft amendments to Rule G-21 and draft Rule G-40 on competition, efficiency and capital formation?**

3PM believes that such a rule puts municipal advisors at a disadvantage to solicitors who are not registered with the MSRB or working with municipal entities. We further believe that some of

the rules also impact the investment advisers that we represent. In addition, we feel that such a rule's primary result will be to increase the oversight, reporting requirements and costs without any commensurate investor protection.

While we understand the MSRB's intent, which is to protect municipal entities, we believe that the MSRB should focus their efforts on firms with no regulatory oversight rather than focusing on municipal advisor solicitors that already fall under the purview of other regulatory bodies and layering them with additional compliance requirements.

Also, please see our comments throughout other sections of this comment letter discussing the harm this rule will bring to municipal advisor solicitors as well as the investment managers we represent.

Finally, we believe that the implementation of this Rule in its current state will bring an unintended consequence to the very constituents the MSRB is trying to protect; municipal entities. Ultimately, if Rules like proposed Rule G-40 continue to be enacted, it will leave municipal advisor solicitors with a regulatory compliance burden that far out-weighs the benefits of offering product to municipal entities. Accordingly, many municipal solicitors will choose to exit this distribution channel, in favor of ones where they can compete on a level playing field. We have already seen the universe of firms offering products to municipal entities diminish significantly in the past 3-5 years because of the additional regulation that has been enacted. As a result, municipal entities will be limited to only those investment options provided by the largest and most well-funded managers, who either choose or can afford an in-house staff to distribute their products and services directly. A decrease in available managers could potentially eliminate some of the best performing investment options, bringing harm pensioners who rely on their retirement plans to survive. A result that is not good for any one.

Thank you for the opportunity to share our thoughts with you regarding this proposal. Please feel free to reach out to me at (585) 364-3065 or by email at donna.dimaria@tesseracapital.com should you have any questions or require additional information pertaining to the proposed Advertising Rule for MAs.

Regards,

<<Donna DiMaria>>

Donna DiMaria
Third Party Marketers Association
Chairman of the Board of Directors and
Chair of the 3PM Regulatory Committee

About the Third Party Marketer's Association (3PM)

3PM is an association of independent, global outsourced sales and marketing firms that support the alternative and traditional investment management industry worldwide.

3PM Members are properly registered and licensed organizations consisting of experienced sales and marketing professionals who come together to establish and encourage best practices, share knowledge and resources, enhance professional standards, build industry awareness and generally support the growth and development of professional outsourced investment management marketing.

Members of 3PM benefit from:

- Regulatory Advocacy
- Best Practices and Compliance
- Industry Recognition and Awareness
- Manager Introductions
- Educational Programs
- Online Presence
- Conferences and Networking
- Service Provider Discounts

3PM began in 1998 with seven member-firms. Today, the Association has more than 35 member organizations, as well as significant number of prominent firms that support 3PMs and participate in the Association as 3PPs, Industry Associates, Member Benefit Providers, Media Partners and Association Partners.

A typical 3PM member-firm consists of two to five highly experienced investment management marketing executives with, on-average, more than 10 years' experience selling financial products in the institutional and/or retail distribution channels. The Association's members run the gamut in products they represent. Members work with traditional separate account managers covering strategies such as domestic and international equity, as well as fixed income. In the alternative arena, members represent fund products such as mutual funds, hedge funds, private equity, fund of funds and real estate. Some firms' business is comprised of both types of product offerings. Most 3PM's members are currently registered with FINRA or affiliated with a broker-dealer that is a member of FINRA.

For more information on 3PM or its members, please visit www.3pm.org.