

# PENNSYLVANIA TREASURER PROHIBITION ON THIRD-PARTY PLACEMENT AGENTS

Date: 8 February 2017

## Investment Management Alert

By: Cary J. Meer, Ruth E. Delaney, Sonia R. Gioseffi

The Treasurer of the Commonwealth of Pennsylvania has prohibited investment managers from using third-party placement agents for funds managed on behalf of the Commonwealth of Pennsylvania Treasury Department.<sup>[1]</sup> The Treasury Department administers the following funds: (i) the Commonwealth Investment Program; (ii) the Pennsylvania 529 Guaranteed Savings Plan; (iii) the Pennsylvania 529 Investment Plan; (iv) the INVEST Program; and (v) the Treasury Global Investment Fund.

This prohibition was announced in a directive from the Treasurer of the Commonwealth of Pennsylvania. As the directive only applies to funds that the Treasury Department manages, it does not apply to the Pennsylvania State Employees' Retirement System (SERS) or the Pennsylvania Public School Employees' Retirement System (PSERS). Nonetheless, it is worth noting that the Treasurer serves on the board of both SERS and PSERS.

The prohibition applies to current investment contracts, including any renewals or amendments thereto, and all future investment contracts with respect to these funds. Pursuant to the press release that accompanied the directive, any current agreement for managing funds administered by the Treasury Department with a "finder's fee" must end that provision by February 16, 2017.

Some investment advisers use placement agents as intermediaries to market their products to potential investors by making introductions, assisting with marketing materials, and developing a marketing strategy. In the directive, the Treasurer noted that while the Securities and Exchange Commission has recognized that placement agents may be useful, improper use of placement agents has led certain states to limit the use of placement agents with respect to certain public funds in those states.

This directive was Treasurer Joe Torsella's first official act as Treasurer and was signed immediately after his swearing-in as Treasurer. The Treasury Department's Chief Counsel has been instructed to communicate the policy to affected investment advisers.

### Notes:

[1] The directive for this prohibition is available at: <http://www.patreasury.gov/media/archive/assets/pdf/Solicitor-Agreement-Ban.pdf>

---

This publication/newsletter is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer. Any views expressed herein are those of the author(s) and not necessarily those of the law firm's clients.