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Investment Management Regulatory Update - June 2009

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Pay-to-play arrangements involving payments to intermediaries to influence public pension fund investment decisions have recently come to the fore on a number of fronts:

– New York State Attorney General Andrew M. Cuomo's Office has recently announced an expansion of a two-year investigation in the pay-to-play schemes involving New York State and City pension funds as well as a settlement agreement with The Carlyle Group ("**Carlyle**") pursuant to which Carlyle agreed to pay $20 million to the State of New York and adopt Cuomo's Public Pension Fund Reform Code of Conduct (the "**Code of Conduct**").

– SEC Chairman Mary L. Schapiro has asked the SEC staff to revisit a rule first proposed in 1999, but never finalized, that would curtail political contributions by investment advisers.

– The SEC recently charged a Los Angeles placement agent in connection with a New York State pension fund corruption investigation.

– In response to these developments, the California Public Employees' Retirement System ("**CalPERS**"), the nation's largest public pension fund, recently instituted a new placement agent policy mandating the disclosure and registration of intermediaries hired by external managers of CalPERS' funds.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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