



FOR IMMEDIATE RELEASE

Contact: Vikki Hurley-Schubert, public relations account executive, (609) 269-2388
vschubert@cmasolutions.com

Third Party Marketers' Response to Joe Torsella's Statement on Investigative Report Into Third-Party Marketers and Pennsylvania Treasury Department

From Donna DiMaria, board chair, on behalf of [Third Party Marketers Association](#):

The Third Party Marketers Association (3PM) is once again defending its members against the efforts of those who do not understand the role of third party marketers and who want to abolish an entire industry of professionals based on the corrupt and unethical behavior of an outlier.

On April 28, 2016, Democratic Nominee for State Treasurer Joe Torsella released a [statement calling for a ban](#) of all third party marketers after the *Philadelphia Inquirer* [reported](#) that the Pennsylvania Treasury Department was involved in an FBI, IRS and SEC investigation of, Valley Forge Investment Corporation and Dick Ireland.

In our opinion Mr. Torsella's comments are misguided.

Third party marketing is an outsourced, independent sales and marketing effort that assists investment management firms in raising assets. Professional third party marketers are typically registered with several regulatory agencies, depending on their business models and provide investment managers with value-added [sales and marketing services](#). The Third Party Marketers Association (3PM) is a global association of independent, outsourced sales and marketing firms that support the alternative and traditional investment management industry worldwide.

A review of Mr. Ireland's business activities indicates that many of his activities were for his own firm and not for unaffiliated third-party entities. For the part of his business that can be considered third party marketing, it appears that neither Mr. Ireland nor his firm are properly regulated to perform this business activity. A quick search for Dick Ireland on the U.S. Securities and Exchange Commission (SEC)'s Investment Advisor Public Disclosure system and Financial Industry Regulatory Authority (FINRA)'s broker check system shows no registrations for Mr. Ireland. A similar search for his firm also came up empty. Given this, the conclusion is that neither the firm nor Mr. Ireland are properly registered to conduct a third party marketing business.

By contrast, 3PM believes that proper registration is a necessity and takes steps to ensure its members abide by specific [principles and best practices](#).

Mr. Torsella's press release refers to the *Philadelphia Inquirer* article that alleges that Mr. Ireland made political contributions in exchange for business for his own firm and for investment managers his firm was representing. Whether this was done because Mr. Ireland was an unregulated entity so his behavior went unchecked or because of the nature of some of his business activities did not require registration is an issue for the SEC and the FBI who conducted the inquiry into Mr. McCord, the former Pennsylvania State Treasurer.

Regardless of the outcome, if the information relayed in the *Inquirer* article is true, I believe that there is not a person out there that would disagree that at a minimum Mr. Ireland's business practices were totally unethical. If Mr. Ireland and his firm were subject to the regulatory oversight that all of 3PM's members are subject to, they would not have been able to conduct business in this manner. Dodd Frank required the SEC to implement pay-to-play rules and they have subsequently required both the Municipal Securities Rulemaking Board (MSRB) and FINRA to do the same.

What is also interesting is that it appears that none of the investment advisers Mr. Ireland worked with had policies in place to monitor and/or limit any political contributions. Given that these firms are subject to the SEC's rules at a minimum they should have had pay-to-play policies in place and applied this policy to any third party provider they worked with. If they had done so, these firms would have been required to take a two-year time out before doing any business with a municipal entity.

At 3PM, most of our member firms have taken the step to ban all political contributions by employees at their firms. Even in cases where firms have not taken their policies to this extreme, most regulatory authorities have put in place guidelines where employees are not permitted to donate more than \$350 per year to a political candidate.

It is also a bit distressing that Mr. Torsella's press release does not once mention former Pennsylvania Treasurer Rob McCord, who was a major focus of the previous *Philadelphia Inquirer* article and appears to be in the middle of the accusations being made. Instead Torsella's entire press release focused on Mr. Ireland and the fact that he made political contributions in exchange for business.

From 3PM's perspective, while the wrong doing comes down to a few bad actors, the SEC has taken steps to address the issues that previously occurred and has instituted a new regulatory regime for third party marketers.

The real problem is that this is where the reach of the SEC ends. The SEC does not have oversight over the municipalities that were involved in the fraudulent activities that occurred in other states and now in Pennsylvania.

Either the states in which these municipalities reside or the municipalities themselves must implement policies and procedures to protect their constituents against unethical behavior. Corrective action cannot be successful if it is merely one-sided.

On a positive note 3PM has seen many public pension systems implement policies for dealing with investment advisers who use third party marketers and placement agents. These initiatives have helped to increase transparency through reporting and disclosure and protect against loss of business by the investment adviser if there is a problem with the placement agent.

In my opinion, Mr. Torsella is bringing attention to corruption that has taken place in the office he seeks. He is using third party marketers as a scapegoat since the press has been inundated with stories of widespread fraudulent behavior. Rather than taking corrective action in the office he seeks, Mr. Torsella instead is determined to ban an entire industry, the vast majority of whom provide important services to the industry stakeholders including investment managers, potential investors and their consultants while being professional and ethical.

I suggest that Mr. Torsella revisit his platform and put his attention where it is needed – on the bad actors as well as the State of Pennsylvania's internal policies and procedures that allowed Former Treasurer McCord to be involved in the unethical activities he participated in.

###

About Third Party Marketers Association, Inc. (3PM)

3PM is a global association of independent, outsourced sales and marketing firms that support the alternative and traditional investment management industry worldwide. 3PM Members are 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 and service provider discounts. More information is available at www.3pm.org.