

June 13, 2022

Via Email

Securities and Exchange Commission
100 F Street NE Washington, D.C.
20549-1090
Attn: Vanessa A. Countryman, Secretary

Re: Private Fund Advisers; Documentation of Registered Investment Adviser Compliance
Reviews (File No. S7-03-22)

Ladies and Gentlemen:

LaSalle Investment Management, Inc. (“LaSalle”) appreciates the opportunity to comment on the Securities and Exchange Commission’s (the “SEC” or “Commission”) proposed rule (the “Proposed Rule”) relating to private fund advisers. LaSalle, an SEC-registered adviser, is a real estate investment adviser that provides investment management and advisory services on real estate assets primarily to institutional clients. LaSalle operates as an operationally independent subsidiary from its publicly-traded parent, Jones Lang LaSalle Incorporated (NYSE: JLL). LaSalle’s primary business is to advise clients on real estate-related investments that are operated in the form of pooled fund vehicles sponsored and advised by LaSalle or separate accounts.

LaSalle is commenting on proposed rule 17 CFR § 275.206(4)-10. In all cases, LaSalle’s pooled funds are audited by public accountants that are registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by the Public Company Accounting Oversight Board (“PCAOB”) in accordance with its rules (such accountants referred to hereafter as “PCAOB auditors”). However, only one of the public accountants that are engaged to audit our pooled funds meet the standards of independence described in rule 2-01(b) and (c) of Regulation S-X.¹ This independent public accountant also audits our parent company’s financial statements, and this singularity is intentional because, among other reasons, it ensures JLL’s hundreds of global subsidiaries are able to freely engage other public accountants for non-audit related work. For any sponsored fund that is not audited by this independent PCAOB auditor we arrange for a surprise custody examination as required under rule 206(4)-2.

While we appreciate the SEC’s position that audits by independent PCAOB auditors protect a fund and its investors against the misappropriation of fund assets, we believe the obligation to only engage *independent* PCAOB auditors, combined with no ability to alternatively rely on surprise custody examinations, creates disproportionate hardships for large investment advisers that are subsidiaries of public companies. For example, a public company’s audit committee would be forced to artificially shrink an already limited pool of qualified public accountants that are capable of performing sophisticated, multi-jurisdictional consulting and tax work solely because of regulatory constraints applicable to a single SEC-regulated subsidiary. Public companies such as JLL with hundreds of subsidiaries operating throughout the globe that require such services would be deprived of their

¹ References to “independent” in this letter refer to the standards of independence described in rule 2-01(b) and (c) of Regulation S-X.

current options and consequently would certainly lose pricing power in the contract engagement process. LaSalle and other similarly situated investment adviser firms would also be limited in their ability to negotiate competitive pricing for the sponsored fund's audit work or to move away from a public accountant if the services rendered are unsatisfactory given the limited number of firms that could qualify as independent.

The Proposed Rule also assumes that an investment adviser has a multitude of public accountants from which to choose. Again, for large financial firms that are subsidiaries of public firms, that assumption is misguided on multiple levels. First, sophisticated investors in LaSalle's pooled funds generally have the expectation that the pooled fund will be audited by one of the "Big Four" public accountants, particularly with respect to funds that specialize in alternative strategies such as real estate. Second, public accountants may decline the request to act as an independent PCAOB auditor if that determination could jeopardize or limit their ability to continue to perform (or perform in the future) services for LaSalle's affiliates.

We also note in conclusion that the Commission has not offered any support for the proposed rule change that would require public accountants to be *independent*. For example, the Commission has not proffered any evidence:

- That the institutional investor community has demanded audits by *independent* PCAOB auditors (which has not been LaSalle's experience);
- Of the misappropriation of fund assets by an investment adviser that went undetected in an audit conducted by a PCAOB auditor not qualifying as *independent*, which failure was due to the auditor not qualifying as *independent*; or
- That the combined effect of an audit of a pooled investment vehicle that is performed by a PCAOB auditor and an annual surprise custody examination by an independent public accountant insufficiently protects investors in pooled funds when compared to an audit by a Reg S-X independent PCAOB auditor.

For the reasons set forth above, we respectfully request that the Commission withdraw proposed rule 17 CFR § 275.206(4)-10 or alternatively allow a surprise examination to meet the new rule requirements.

Please feel free to call the undersigned at (312) 897-4128 with any questions regarding these comments.

Sincerely,



David Doherty
Americas General Counsel
LaSalle Investment Management