CHURCH ALLIANCE
Acting on Behalf of Church Benefits Programs

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Via Electronic Filing:

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Comments on Incentive-Based Compensation Arrangements; File No. S7-07-16

Dear Mr. Fields:

The Church Alliance (the "Alliance") appreciates the opportunity to comment on the proposed rules, "Incentive-based Compensation Arrangements" (the "Proposed Rules") issued by the Securities Exchange Commission (the "SEC") and other federal regulatory agencies (together the "Joint Agencies").

The Church Alliance is a coalition of the chief executive officers of 37 church benefit boards, covering mainline and evangelical Protestant denominations, two branches of Judaism, and Catholic schools and institutions. Our member benefit programs provide retirement and health benefits to more than 1 million clergy, lay workers, and their family members.

As you know, Congress, in enacting Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), directed the Joint Agencies to issue rules or guidelines to limit incentive-based compensation arrangements that could pose systemic risks or that could threaten the safety and soundness of covered financial institutions. However, we believe the Proposed Rules in certain respects impose restraints on incentive compensation arrangements that exceed the intent of Section 956 as the rules apply to advisers to church plans that are exempted from the obligation to register as investment advisers pursuant to Section 203(b)(5) of the Investment Advisers Act of 1940 ("Advisers Act") ("church plan advisers"). Importantly, church plan advisers are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986 ("IRC") and therefore already restricted in the compensation they can pay employees and other service providers.

While we recognize that Section 956 of Dodd-Frank references investment advisers as defined in the Advisers Act, without specifically excepting those that are not obligated to register as such under Section 203(b), we do not believe that Congress intended to apply incentive compensation rules designed for banks and other large financial institutions to church plan advisers simply because they meet the technical definition of "investment adviser" in the Advisers Act. In fact, Congress specifically created the exemptions in Section 203(b) recognizing that some who meet the technical definition of "investment adviser" should not be subject to the full regulation of the Advisers Act. Accordingly, we urge the SEC to specifically carve out from the Proposed Rules those who are exempted from the obligation to register as investment advisers pursuant to Section 203(b)(5) of the Advisers Act in order to limit the impact on these entities.

As mentioned above, the IRC already restricts the amount of compensation church plan advisers can pay their employees and other service providers. The payment of unreasonable compensation by a church plan adviser to an employee or other service provider could jeopardize the adviser's tax-exempt status. The exemption under IRC Section 501(c)(3) is limited to organizations "organized and operated exclusively" for religious, educational, or charitable purposes. The exemption is further conditioned on the organization being one "no part of the net income of which inures to the benefit of any private shareholder or individual."

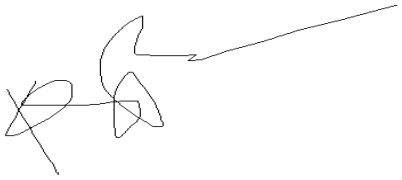
Additionally, IRC Section 4958 provides that, if any person who has or has had substantial influence over the affairs of a tax-exempt organization (a "disqualified person") engages in an "excess benefit transaction" (that is, a transaction where such a person receives disproportionate consideration for his or her activities for the organization), the officers, directors and trustees of the organization and the disqualified person are subject to substantial excise taxes.

Therefore, we further encourage the SEC to include in any final rules, or interpretive guidance, that a church plan adviser will be deemed to comply with the incentive-based compensation rules to the extent its compensation arrangements comply with applicable tax law rules regarding the compensation of persons associated with church plans.

If church plan advisers are not excluded from the scope of the rules, we encourage the SEC to provide guidance that (i) assets of the church (and church-related entities) associated with a church plan, with respect to which such church plan adviser provides investment advice, and (ii) assets of a church plan – held for the purpose of paying health, retirement and other benefits obligations to beneficiaries – will be deemed non-proprietary assets for purposes of calculating the adviser entity's average total consolidated assets under the rule. We believe that such assets would be more appropriately viewed as client assets under management, rather than adviser assets.

If you have any questions regarding any of these comments or if we can provide further information with respect to these or other regulatory issues, please do not hesitate to contact Karishma Shah Page of K&L Gates LLP at [redacted] Thank you.

Very truly yours,



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On Behalf of the Church Alliance