sifma
asset management group

November 9, 2026

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

RE: S7-2026-31 (Political Contributions by Certain Investment Advisers)

Dear Ms. Countryman:

The Asset Management Group of the Securities Industry and Financial Markets Association ("SIFMA AMG")[1] respectfully submits this comment letter to the U.S. Securities and Exchange Commission (the "Commission") on the Commission's proposal to rescind Rule 206(4)-5 under the Investment Advisers Act of 1940, the so-called "political contributions rule" or "pay-to-play rule" (the "Rule"), together with the related recordkeeping requirements under Rule 204-2. We strongly support the Commission's proposal and are pleased to join the letter submitted by a coalition of trade associations. We write separately to emphasize several key themes.

Executive Summary:

- The Rule is not necessary or tailored to its public policy objective
- The Rule's requirements and strict liability standard impose significant and unjustified costs and impedes the exercise of constitutionally protected speech
- Enforcement has focused on administrative glitches rather than actual corruption
- Recission of the Rule does not leave the risk unaddressed
- Recission rather than amendment is the better course

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[1] SIFMA's Asset Management Group (SIFMA AMG) brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms that manage more than 50% of global AUM. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit http://www.sifma.org/amg.

1. The Rule is not necessary or tailored to its public policy objective

The Commission adopted the Rule in 2010 to address concerns that political contributions could improperly influence the selection of investment advisers by state and local government entities (i.e., so-called "pay-to-play practices"). More than fifteen years of experience administering and complying with the Rule demonstrates that its restrictive, strict-liability framework is not reasonably designed to achieve that objective. Moreover, the Rule is not necessary because a robust framework of laws and regulations adequately addresses this risk. Good government suggests regularly revisiting rules to confirm they are appropriately calibrated and this Rule falls short.

2. The Rule's requirements and strict liability standard impose significant and unjustified costs and impedes the exercise of constitutionally protected speech

The Rule needlessly injects the adviser into the political activities of personnel and limitations on personnel of their personal participation in the political process. Requiring personnel (and their families) to seek approval from their employer for political contributions inherently creates a chilling effect for a constitutionally protected activity.

It also precludes adviser staff from running for office on their own because of the limitations on their ability to raise funds from friends and colleagues. Effectively excluding investment adviser personnel from public service is not an optimal public policy result. While difficult to quantify, both are real costs and harms with no corresponding benefit.

In addition, the Rule imposes substantial compliance costs and operational burdens on advisers and their personnel, restricts participation in the political process, impedes hiring and promotion decisions, and can deprive government investors of access to their preferred investment advisers.

The strict liability standard and associated reputational risk of an enforcement action requires a compliance approach that is outsized relative to the risks. Compliance infrastructure is required for policy and procedure design and administration, processes such as pre-clearance and ongoing monitoring, and training and guidance for adviser personnel. The need to address the risk of indirect circumvention further extends requirements to spouses or family members. When glitches occur, obtaining relief through returned-contribution provisions or SEC exemptive applications is expensive, uncertain, and impractical.

The overarching public policy objective of the Rule is to address the risk of corruption in the political process. Advisers want to avoid the reputational damage of an enforcement action and potential implication they are seeking to improperly influence the political process or insensitive to such risks. That sensitivity and caution results in outsized

costs. The ambiguities of the Rule and concern for consequences of a violation lead to regular requests for guidance and clarification even without an actual contribution. The administration of a compliance program has costs and there are also opportunity costs of time and attention that should be better directed elsewhere.

3. Enforcement has focused on administrative glitches rather than actual corruption

The Rule has typically been enforced in circumstances involving lawful, small-dollar political contributions with no relationship to the award or retention of government advisory business. Adviser personnel that have little or no involvement in client relationships are often captured as "covered associates" (a vague description and category) which does not serve the public policy objectives of the Rule.

4. Recission of the Rule does not leave the risk unaddressed

Rescission of the Rule would not leave pay-to-play practices unregulated. The rule is unnecessary in part because existing federal, state, and local laws and contract requirements would continue to apply. Moreover, the Commission would retain ample authority under the federal securities laws, including the Advisers Act's fiduciary duty and anti-fraud provisions, to pursue conduct involving actual quid pro quo arrangements, corruption, or other misconduct.

5. Recission rather than amendment is the better course

Amendments may relieve the Rule's sharper edges but would not cure the Rule's fundamental problems. Any strict liability regime that regulates political conduct of adviser staff and their families without a showing of intent will be problematic.

Especially in this case where existing laws already address the underlying conduct of concern and the fundamental rights involved are Constitutional in nature, there is no need to reform a redundant framework that produces no marginal benefit. Rescission of the Rule and the related recordkeeping requirements is the best course.

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For the reasons described above, SIFMA AMG supports rescission of Rule 206(4)-5 and the related recordkeeping requirements. We appreciate the opportunity to comment and would be pleased to respond to questions or discuss further. If you need any additional information, please contact Kevin Ehrlich at 202.962.7336.

Sincerely,



Kevin Ehrlich
Managing Director, SIFMA AMG