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Invested in America

November 9, 2026

Via e-mail to rule-comments@sec.gov

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

Re: File No. S7-2026-31: Political Contributions by Certain Investment Advisers

Dear Ms. Countryman

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to comment on the SEC's proposed rule changes regarding political contributions by certain investment advisers (the "Proposal").[2] The Proposal seeks public comment on, among other things, whether the SEC should rescind Rule 206(4)-5, the "political contributions rule" (the "Rule"), and its related recordkeeping requirements, under the Investment Advisers Act of 1940 (the "Advisers Act").

The SEC adopted the Rule in 2010 with the intention of reducing the possibility that campaign contributions and other support of elected officials and candidates for public office by investment advisers and covered associates would result in fraudulent activity.[3] The primary objective of the Rule is to prevent investment advisers from using political contributions to fraudulently influence the award of public pension and government

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] Proposal, 91 FR 57698 (Sep. 10, 2026), https://www.govinfo.gov/content/pkg/FR-2026-09-10/pdf/2026-18424.pdf.

[3] *Political Contributions by Certain Investment Advisers*, 75 FR 41018 (July 14, 2010) (the "2010 Adopting Release"), https://www.govinfo.gov/content/pkg/FR-2010-07-14/pdf/2010-16559.pdf.

investment contracts (i.e., what the Proposal – as well as the original 2010 Adopting Release – refer to as "pay-to-play" practices).[4]

SIFMA and its members fully appreciate that preventing pay-to-play practices in all of its forms is an important and legitimate objective. However, the Rule's highly prescriptive, strict liability framework, focused on political contributions, has proven unnecessary and ill-suited to meet the Rule's primary objective. Indeed, our industry's collective experience suggests that the Rule is not working as intended.

For advisory firms subject to the Rule, compliance has proven to be burdensome and complex, resulting in significant costs, while imposing strict liability consequences and harsh penalties untethered to the Rule's anti-fraud objective. The Rule has also inhibited industry professionals from personally participating in the political process by prohibiting them from contributing to their candidates of choice. The look-back provision on prior political contributions by new covered associates also deters advisers from hiring qualified personnel, while also inhibiting the mobility of talent within the industry. For government pension funds and other retirement plans, the Rule can potentially deny them their preferred choice of investment adviser.

Moreover, the Rule is unnecessary due to the broad anti-fraud provisions of the federal securities laws, as well as the wide array of robust federal and state safeguards in place (described at length in the Proposal) to ensure public integrity in the award of government contracts. In the event the Rule is rescinded, campaign contributions will still remain subject to existing federal, state and local campaign finance laws, and pay-to-play practices will still remain subject to existing federal, state and local anti-fraud and bribery laws. In fact, notwithstanding the prospective rescission of the Rule, pay-to-play practices – whether involving political contributions or other things of value – will always remain *not only* prohibited *but also* strictly enforced by the SEC and other regulators under the federal securities laws, and other federal, state and local related laws, including anti-fraud and bribery statutes, conflict of interest and ethics laws, and certifications included within the procurement process.

For those reasons, SIFMA supports the Proposal to rescind the Rule and its related recordkeeping requirements under the Advisers Act. Following is our more detailed commentary.

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[4] Proposal, 91 FR at 57699; 2010 Adopting Release, 75 FR at 41018. Specifically, the SEC states that pay-to-play practices arise when: "Political contributions influence the selection of an adviser to provide investment advisory services to State and local governments, including by constituting a prerequisite to competing for an advisory role; or investment advisers seek to influence an elected official's award of advisory contracts by making or soliciting contributions to that official." *Id.*

The goal was to ensure that the selection of investment advisers to manage state pension funds and endowments is "based on the merits, not on the amount of money given to a particular candidate for office." 2010 Adopting Release at 41023. The Rule therefore generally bars an adviser from providing investment advisory services for compensation to a government client for two years after the adviser or a covered associate of the adviser makes a contribution to certain categories of elected officials or candidates.

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Executive Summary

- SIFMA supports the Proposal to rescind the Rule and its related recordkeeping requirements under the Advisers Act.
    - The Rule's burdens and costs are unjustified because the Rule was neither drafted, nor has it been applied, to address its intended harm (i.e., actual fraudulent practices).
    - The Rule is unnecessary because other existing requirements of the federal securities and related laws already sufficiently address fraudulent practices.
    - Rescinding the Rule is the more efficient and appropriate approach rather than attempting to amend the Rule to address its problematic aspects.
    - The SEC should rescind both the Rule and its related recordkeeping requirements.
- The SEC should not impose on advisory firms any additional prescriptive policy and procedure obligations (or other new regulatory obligations) upon the Rule's prospective rescission.
- The SEC, in coordination with other securities regulators, should also revisit related political contributions rules applicable to other regulated securities industry participants.

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I. SIFMA supports the Proposal to rescind the Rule and its related recordkeeping requirements under the Advisers Act.

SIFMA supports the Proposal to rescind the Rule and its related recordkeeping requirements under the Advisers Act. The following grounds support recission:

1. The Rule's burdens and costs are unjustified because the Rule was neither drafted, nor has it been applied, to address its intended harm (i.e., actual fraudulent practices).

The current Rule has a number of problematic aspects. The most concerning are the following:

- Strict Liability Standard. An adviser's contribution can trigger an automatic two-year compensation ban under the Rule even if he or she had no intent to influence the selection of an investment adviser.[5]

- Disproportionate Penalties. Small-dollar contributions made by individual employees with no intent to influence a current or potential investor can result in significant fines and the foregoing two-year ban on compensation from a government entity.

- Overbreadth and Complexity. The scope of what is covered by the Rule is often difficult to determine. For example, the definitions of "covered associate" and "official" and "covered associate" are broad enough to sweep in personnel, as well as officials and candidates who are far removed from investment advisory decisions. In addition, the Rule's indirect contribution provision, which prohibits doing indirectly what cannot be done directly, does not provide a clear or workable standard. For example, although contributions to state and local PACs, party committees, "527 organizations," and politically active 501(c)(4) social welfare organizations are not categorically prohibited, these entities may themselves make state or local political contributions without the donor's knowledge. The resulting uncertainty imposes a significant administrative burden on firms and their covered associates, requiring extensive diligence before making contributions to these organizations. As a result, some firms may choose to prohibit such contributions altogether to avoid these issues. Finally, the rise of complex political fundraising vehicles – such as joint fundraising committees and digital conduits like ActBlue and WinRed – has dramatically increased the complexity and burden of compliance (i.e., tracing contributions that may be subject to the Rule) since the time the Rule was implemented back in 2010.

- Adviser Hiring and Mobility Inhibitions. The look-back provision on prior political contributions by new covered associates invasively introduces politics into the hiring process, deters advisers from hiring qualified personnel, inhibits the mobility of talent within the industry, and requires a significant investment of adviser time and resources to comply.

- First Amendment Suppression. To avoid the risk under the Rule of losing future business over small political contributions, some advisory firms have been compelled to adopt broad, and in some cases complete, bans on political contributions, which have had the unintended consequence of suppressing political speech protected by the First Amendment.[6]

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[5] Notably, for the vast majority of core fiduciary and anti-fraud violations, the SEC must demonstrate either negligence or scienter.

[6] Since the Rule's adoption, First Amendment jurisprudence has evolved such that restrictions on political contributions and political speech are now subject to more exacting scrutiny. *See, e.g.*, *McCutcheon v. FEC*, 572 U.S. 185 (2014) (invalidating aggregate limits on political contributions under federal election law), and *FEC v. Ted Cruz for Senate*, 596 U.S. 289 (2022) (invalidating a restriction on

All of these problematic aspects of the Rule impose significant and unjustified burdens, costs, and restrictions on advisory firms and their employees. Yet, none of these aspects serve or advance the Rule's primary objective of preventing pay-to-play practices. Even more concerning, over the years, the SEC has enforced the Rule against advisory firms in a manner divorced from the Rule's primary objective, but instead focused on relatively small contributions made with no intent to influence advisory business – what the Proposal refers to as "foot faults."[7]

For example, in September 2022, the SEC instituted and settled administrative proceedings against four investment advisers for violating the Rule.[8] All four enforcement actions involved one-time, small-dollar contributions by one or two people, and all the investment advisers had longstanding, existing advisory relationships with the government client when the contributions were made. Moreover, all of the political candidates who received the contributions had attenuated influence over the government entities' adviser selection. In a written dissent to these settlements, Commissioner Peirce stated that "[the] Rule, agnostic to evidence of actual, harmful pay-to-play schemes, dissuades political contributions that have nothing to do with obtaining advisory business from government clients."[9]

In another example, in April 2024, the SEC instituted and settled administrative proceedings against Wayzata Investment Partners, LLC for violating the Rule.[10] In that case, a covered associate made a campaign contribution to a candidate for state office who had influence over selecting investment advisers for a state investment board. The SEC's settlement order, however, did not allege any link between the contribution and the investments. In fact, the state investment board had invested in closed-end funds advised by the respondent advisory firm several years *prior to* the contribution. The SEC's case was based *not* on any attempt to obtain additional advisory business from the government, but on the firm continuing to provide advisory services in connection with the government's years-old, closed-end fund investments.[11] Notwithstanding the absence of any intent to influence or quid pro quo arrangement, the adviser was ordered

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the repayment of personal loans made by federal candidates), both of which make clear that such restrictions must be supported by record evidence, not speculation or conjecture.

[7] Proposal, 91 FR at 57699.

[8] *Asset Management Group of Bank of Hawaii*, Rel. No. IA-6127, 5-6 (Sep. 15, 2022); *Canaan Management,* LLC, Rel. No. IA-6126, 4-5 (Sep. 15, 2022); *Highland Capital Partners, LLC*, Rel. No. IA-6128, 4-5 (Sep. 15, 2022); *Starves Asset Management, Inc*., Rel. No. IA-6129, 4-5 (Sep. 15, 2022).

[9] *Laudable Ends, Poorly Pursued: Statement Regarding Recent Pay-to-Play Rule Settlements* (Sep. 15, 2022), https://www.sec.gov/newsroom/speeches-statements/peirce-statement-pay-play-rule-settlements-091522#_ftn1.

[10] *Wayzata Investment Partners, LLC*, Rel. No. IA-6590, (Apr. 15, 2024), https://www.sec.gov/files/litigation/admin/2024/ia-6590.pdf.

[11] *See There's Got to Be a Better Way: Statement of Dissent Regarding Wayzata Investment Partners LLC* (Apr. 15, 2024), https://www.sec.gov/newsroom/speeches-statements/peirce-statement-wayzata-041524.

to pay a $60,000 penalty.

In the most recent example, in August 2024, the SEC instituted and settled administrative proceedings against Obra Capital Management, LLC for violating the Rule.[12] In that case, in December 2019, "individual X" made a contribution to a Michigan government official, whose office had the ability to influence the hiring of investment advisers. At that time, the Michigan pension fund had already been investing for two years in a fund advised by Obra Capital. Six months later, Obra Capital hired individual X into a position in which he was a covered associate. Thereafter, individual X participated in soliciting government entities to invest in funds advised by Obra Capital.

Individual X's solicitation activity triggered the Rule's two-year lookback provision, which captures not only contributions by persons who are covered associates at the time of the contribution, but also contributions by a person who *becomes* a covered associate within two years of the contribution. With the two-year lookback triggered, the SEC charged that Obra Capital violated the Rule because it continued to receive advisory fees from the Michigan pension fund after individual X solicited government entities.

The SEC never alleged that individual X solicited any *Michigan* government entities, or *successfully* solicited *any* government entity. Regardless, the SEC enforced the Rule despite the fact that neither individual X's prior political contribution nor his current solicitation activity had any connection whatsoever to the ongoing fees received by Obra Capital.[13]

The foregoing enforcement cases demonstrate that the Rule is inherently flawed, operating as a "foot fault" rule that restricts political giving unrelated to investment advisory business. Indeed, the Rule prevented covered associates from contributing more than $350 to even some presidential candidates – for example, the Trump-Pence ticket in 2016 and the Harris-Walz ticket in 2024, solely because the vice-presidential candidates were sitting governors – even though those contributions had no connection to investment advisory business.

The Rule itself explicitly states that it is "a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts, practices, or courses of business."[14] Yet, the Rule has never required a showing of a quid pro quo or actual intent to influence an elected official or candidate. Consequently, the Rule's burdens and costs are unjustified because the Rule was neither drafted, nor has it been applied, to address the harm that it was intended to address (i.e., actual fraudulent practices).

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[12] *In the Matter of Obra Capital Management, LLC*, Rel No. IA-6662 (Aug. 19, 2024), https://www.sec.gov/files/litigation/admin/2024/ia-6662.pdf.

[13] *See Expect the Inquisition: Dissent from Obra Capital Management, LLC* (Aug. 19, 2024), https://www.sec.gov/newsroom/speeches-statements/peirce-statement-obra-capital-management-081924.

[14] 17 CFR 275.206(4)-5(a).

2. The Rule is unnecessary because other existing requirements of the federal securities and related laws already sufficiently address fraudulent practices.

The Rule is also unnecessary. We can safely rely on other existing requirements of the federal securities laws, associated rules, and related laws to fully address pay-to-play practices, and at the same time avoid the Rule's significant compliance burdens, and other adverse effects on employee hiring and mobility, investment advisory services, and political speech. The regulatory ground covered by the Rule is already covered – in full – by the following requirements, among others:

- The Advisers Act fiduciary duty, Section 206.[15] Sections 206(1) and (2) of the Advisers Act prohibit fraudulent, deceptive and manipulative conduct and the SEC previously brought pay-to-play enforcement actions under these provisions prior to the Rule's adoption. The SEC has previously stated that pay-to-play practices are inconsistent with an adviser's fiduciary obligations and that "payments to state officials as a quid pro quo for obtaining advisory business as well as other forms of pay-to-play violate the antifraud provisions of Section 206 of the Advisers Act."[16] The SEC's ability to enforce against fraudulent practices and fiduciary duty violations would not change if the Rule is rescinded.

- The compliance rule[17] and the code of ethics rule.[18] The compliance rule requires advisory firms to adopt written policies and procedures reasonably designed to prevent Advisers Act violations and an annual review of their adequacy and effectiveness. The code of ethics rule requires advisory firms to adopt a code of ethics with a standard of business conduct reflecting the adviser's fiduciary obligations and compliance with the federal securities laws. These rules also ensure that if the Rule is rescinded, advisory firms with government business will continue to assess their particular pay-to-play risk and maintain or adopt controls tailored to that risk.[19]

- Other Federal securities laws. In addition, the SEC has previously brought enforcement actions for pay-to-play practices under Section 10(b) of the Securities Exchange Act of 1934 and Section 17(a) of the Securities Act of 1933.[20]

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[15] Commission Interpretation Regarding Standards of Conduct for Investment Advisers, 84 FR 33669 (July 12, 2019).

[16] 2010 Adopting Release at section II.A; Proposal at footnote 14 and accompanying text.

[17] 17 CFR 275.206(4)-7.

[18] 17 CFR 275.204A-1.

[19] We note that the compliance rule and code of ethics rule do not apply to exempt reporting advisers. In the event the Rule is rescinded, then we recommend that the SEC should extend those rules to exempt reporting advisers but only to the extent necessary to address prospective pay-to-play practices.

[20] Proposal at footnotes 15 and 56 and accompanying text.

- Federal bribery and fraudulent quid pro quo schemes. Finally, the Proposal also identifies two relevant federal bribery statutes that could impose criminal or civil consequence for certain pay-to-play practices.[21]

Absent the Rule, the SEC already has all relevant regulatory authority and rules to police fraudulent activity generally and pay-to-play practices specifically. Rescission would remove a complex, burdensome, overbroad, highly prescriptive Rule, but would *not* remove – but rather preserve – the longstanding, better-suited, legal and regulatory prohibitions on fraud and pay-to-play practices. The SEC diligently enforced against such practices before the Rule was adopted, and will continue to do so in the event the Rule is rescinded.

3. Rescinding the Rule is the more efficient and appropriate approach rather than attempting to amend the Rule to address its problematic aspects.

The Proposal requests comment on whether various amendments to the Rule would serve as better alternatives to rescission of the Rule.[22] We think not, given the Rule's numerous problematic aspects, detailed above. The Rule was not crafted, and has not been applied, to focus on pay-to-play practices. The notion of amending a redundant and unnecessary Rule to "fix" it – so that it does what other existing laws and rules already accomplish – does not advance the interests of investor protection or market integrity, and is not otherwise an appropriate use of limited regulatory resources.

The Rule is inherently unnecessary because alternative regulatory backstops already exist. Advisers remain bound by overarching antifraud protections, strict fiduciary duties, and internal codes of ethics under the Advisers Act, which are legally sufficient to penalize actual quid pro quo and other pay-to-play practices. Moreover, there remain significant unresolved legal questions as to whether the SEC has the relevant legal and regulatory authority to regulate campaign finance and the protected political speech rights of advisory firm employees (and prospective employees).

4. The SEC should rescind both the Rule and its related recordkeeping requirements.

The Proposal requests comment on whether the SEC should likewise rescind Rule 204-2(a)(18), which requires an adviser to maintain a list of covered associates, government entity clients, contributions to officials and payments to related persons soliciting government business.[23] Notwithstanding such proposed rescission, the remaining recordkeeping obligations under Rule 204-2 would continue to require advisers to maintain records that address pay-to-play risk, which would be available to the SEC to

[21] 18 USC 201 and 666; Proposal at footnote 51 and accompanying text.

[22] Proposal at questions 6, 7, and 8.

[23] Proposal at questions 14 and 15.

review upon examination. For that reason, SIFMA supports the recission of the related recordkeeping obligations under Rule 204-2(a)(18) together with the Rule.

II. The SEC should not impose on advisory firms any additional prescriptive policy and procedure obligations (or other new regulatory obligations) upon the Rule's prospective rescission.

The Proposal requests comment on whether the SEC should, in the event the Rule is rescinded, impose additional prescriptive guidance to advisory firms to tailor their policies and procedures and codes of ethics, or require enhanced disclosures.[24]

As the Proposal observes, if the Rule is rescinded, some advisory firms may decide to update their policies and procedures to replace those that were established pursuant to the prescriptive requirements of the Rule. Given that the compliance rule does not enumerate specific elements that must be included, but provides advisers with flexibility to apply the rule in a manner best suited to the advisory firm, we recommend that the SEC continue to apply the existing framework as intended to allow advisory firms to design and implement policies and procedures to address their unique and specific pay-to-play risks and tailor them as appropriate to best mitigate those risks. Our recommendation is consistent with the SEC's long-standing, principles-based approach to investment adviser regulation.

Moreover, this approach would allow advisers to address their employees' practices holistically. Political contributions do not present unique concerns; to the contrary, they are fully transparent, as election laws require them to be publicly disclosed. Political contributions also implicate core First Amendment interests and therefore should not be singled out for separate treatment.

Likewise, as discussed above, the Rule's prospective rescission would not leave any regulatory "void" and thus, there would be nothing to "fill" with new or additional regulatory requirements upon rescission (e.g., see Proposal at question 10, suggesting new disclosure requirements). For those reasons, the SEC should not impose on advisory firms new prescriptive policy and procedure obligations (or other new regulatory obligations) upon the Rule's prospective rescission.

III. The SEC, in coordination with other securities regulators, should also revisit related political contributions rules applicable to other regulated securities industry participants.

The Proposal request comment on what impact, if any, prospective rescission of the Rule would have on related political contributions rules applicable to other regulated securities industry participants,[25] including the following:

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[24] Proposal at questions 9 and 10.

[25] Proposal at question 12.

- Exchange Act Rule 15Fh-6 (Political Contributions by Certain Security-Based Swap Dealers), applicable to security-based swap dealers;[26]

- CFTC Rule 23.451 (Political Contributions by Certain Swap Dealers), applicable to swap dealers;[27]

- FINRA Rule 2030 (Engaging in Distribution and Solicitation Activities with Government Entities), applicable to broker-dealers;[28] and

- MSRB Rule G-37 (Political Contributions and Prohibitions on Municipal Securities Business and Municipal Advisory Business), applicable to municipal advisors.[29]

In the event the Rule is rescinded, we believe it would be appropriate: (i) for the SEC to revisit Exchange Act Rule 15Fh-6 and coordinate with CFTC and FINRA to revisit their respective rules; (ii) for each regulator to conduct updated cost-benefit analyses of their respective rules, and (iii) for each regulator to evaluate whether the arguments in favor of rescinding the Rule, including those articulated in the Proposal and herein, are equally applicable to their respective rules. We anticipate that the SEC, the CFTC, and FINRA, would likely find that their respective rules are similarly ripe for rescission. SIFMA supports rescission of each of these rules.

We would, however, recommend a different approach with respect to MSRB Rule G-37. The municipal securities market is unique given its long history of regulated market participants doing business with state and local governments. In 1993, the Public Securities Association (the predecessor of SIFMA) led a voluntary initiative, which included 42 municipal securities broker-dealers, to freeze political contributions to state and local officials until regulatory guidance could be established. This initiative led to the adoption of MSRB Rule G-37 in April 1994.

The related SEC, CFTC. and FINRA rules were all adopted in 2010 or later, in a top-down manner, and have since been a continuing source of compliance pain points for our members. In contrast, our industry has over thirty-two years of generally positive experience with MSRB Rule G-37. In addition, MSRB Rule G-37 covers a more limited and well-known universe of "issuer officials", "municipal finance professionals" and "municipal advisor professionals" who predominantly engage with government officials.

Finally, the municipal securities industry has recently been engaged with the MSRB to discuss a review of MSRB Rule G-37 with a view towards modernization. To our understanding, MSRB is generally receptive to this idea. From our perspective, aspects

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[26] https://www.ecfr.gov/current/title-17/chapter-II/part-240/subject-group-ECFR4594b28bbb3a5d5/section-240.15Fh-6

[27] https://www.ecfr.gov/current/title-17/chapter-I/part-23/subpart-H/section-23.451

[28] https://www.finra.org/rules-guidance/rulebooks/finra-rules/2030

[29] https://www.msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-37

of the rule are potentially ripe for modernization, and we appreciate that the MSRB has indicated its willingness to undertake a retrospective review of Rule G-37. We support allowing this modernization process to proceed to achieve an even better version of the rule in the future.

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SIFMA appreciates the staff's consideration of our comments and we look forward to further engagement with you on the issues raised in the Proposal. Please contact the undersigned at 202-962-7300 to further discuss the points raised in this letter or if you have any questions.

Sincerely,



Kevin Carroll
Deputy General Counsel
SIFMA

cc: The Hon. Paul S. Atkins, Chairman
The Hon. Mark T. Uyeda, Commissioner
Brian T. Daly, Director, Division of Investment Management