

SEC Enforces Campaign Contributions Rule

Yesterday, the SEC [announced](#) a number of political contribution-related settlements with investment advisers, both registered and exempt. As background, Rule 206(4)-5 under the Investment Advisers Act of 1940 limits the size of political contributions that certain personnel of an investment adviser may make to state and local officials, among other things. Specifically, limits apply to contributions to officials or candidates (such as a Governor or State Treasurer) who can influence the investment decisions of public institutional investors (such as state employee pension plans) that are clients of the adviser or invest in the adviser's funds. If the relevant contribution threshold is breached, an adviser is prohibited from accepting compensation from the specific public investor for a two-year period. A quick summary of the settlements appears in the table below.

SEC Reporting Status (at time of conduct)	Amount of Contribution(s)	Public Official Receiving Campaign Contribution	Adviser's Client or Investor over Which Public Official Had Investment Influence	SEC Penalty
Exempt Reporting Adviser	\$500 \$500	(1) Treasurer of Pennsylvania (who was also a candidate for Governor) and (2) Governor of Pennsylvania	Pennsylvania State Employees' Retirement System (for each)	\$45,000
Exempt Reporting Adviser	\$1000 \$500	Manhattan Borough President	New York City Employees' Retirement System	\$70,456
Exempt Reporting Adviser	\$500	Treasurer of Massachusetts	Massachusetts Pension Reserves Investment Management Board	\$35,000
Exempt Reporting Adviser	\$500 \$500 Solicited campaign contributions by co-hosting a fundraising event for the Governor of Massachusetts	Governor of Massachusetts	Massachusetts Pension Reserves Investment Management Board	\$75,000
Registered Investment Adviser	\$400	Mayor of New York City	(1) Teachers Retirement System of the City of New York, (2) New York City Police Pension Fund, (3) New York City Fire Pension Fund, and (4) New York City Employees' Retirement System	\$35,000
Registered Investment Adviser	\$10,000	Governor of Wisconsin	Core Retirement Investment Trust (a Wisconsin state public pension plan)	\$75,000

Registered Investment Adviser	\$1,000	Governor of Ohio	State Teachers' Retirement System of Ohio	\$75,000
Exempt Reporting Adviser	\$1,425 to candidate for Mayor (in three contributions from the covered associate) \$500 to different candidate for Mayor	Candidates for Mayor of New York	(1) Teachers Retirement System of the City of New York, (2) New York City Police Pension Fund, (3) New York City Fire Pension Fund, and (4) New York City Employees' Retirement System	\$100,000
Registered Investment Adviser	\$500	Governor of Massachusetts	Massachusetts Pension Reserves Investment Management Board	\$75,000
Registered Investment Adviser	\$1,000	Governor of Illinois	Illinois Teachers' Retirement System	\$75,000

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