

Pay-to-Play Spotlight: New York and California Expand Pay-to-Play Rules

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In the wake of various scandals across the country, more and more jurisdictions are turning to pay-to-play laws as necessary parts of reform. Among others, California and New York recently implemented new rules.

In California, the legislature implemented a new pay-to-play contribution disclosure requirement on placement agents for state and local pension funds and retirements systems. The law became effective on October 11, 2009, and is in addition to the myriad of state and local pay-to-play laws that already exist in California.

In New York, the State Comptroller issue an executive order, effective November 7, 2009, that bans contributions from current and future investment advisers to the New York State Common Retirement Fund. Although there is a \$250-per-election exception for individuals who can legally vote for the state comptroller, the order bans comptroller contributions from a wide array of persons related to investment advisers. The law contains a two-year look-back period, which is vitally important to future advisers. The State Comptroller has indicated that he will repeal the order once the proposed Securities and Exchange Commission pay-to-play rules become effective.

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