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NEWSLETTER

SEC Fines Investment Advisers for Pay-to-Play Violations

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On January 17, 2017, the U.S. Securities and Exchange Commission (SEC) announced settlements with 10 investment advisory firms for violations of the SEC's pay-to-play rule (Rule). The penalties ranged from $35,000 to $100,000 and totaled over $660,000.

The penalties generally resulted from contributions made by individuals at the investment firms who are covered by the pay-to-play rule (called "covered associates") to state or local government officials state agency or local agency.

One case specifically addressed prohibited fundraising, as well. The contributions ranged from $400 to $10,000, and all were in excess of the *de minimis* amounts permitted under the Rule ($350 per election if one can vote for the candidate; $150 per election if not).

All of the respondents were doing work for affected state or local agencies within two years after the prohibited contributions, which put the respondents in violation of the "time-out" under the Rule.

Wiley Rein regularly advises financial services companies and other entities on the federal pay-to-play rules, as well as the patchwork of state and local pay-to-play rules all over the country. More information on the penalties can be found here.

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Practice Areas

Election Law & Government Ethics