



TO: David Bellaire
FROM: Kate A. Belinski
DATE: January 12, 2018
RE: Pay-to-Play Compliance Certification for FSI PAC

This memorandum provides an overview of the procedures that are in place to ensure that the Financial Services Institute Political Action Committee (“FSI PAC”) is in compliance with the Securities and Exchange Commission’s (“SEC”) Rule 17 C.F.R. 275.206(4)-5, Municipal Securities Rulemaking Board (“MSRB”) Rule G-37 and Financial Industry Regulatory Authority (“FINRA”) Rule 2030.

In July 2010, the SEC adopted Rule 206(4)-5 under the Investment Advisers Act of 1940 (Advisers Act) addressing pay-to-play practices by investment advisers (the SEC Pay-to-Play Rule, cited above). The SEC Pay-to-Play Rule prohibits, in part, an investment adviser and its covered associates from receiving payments if they provide or agree to provide, directly or indirectly, certain political contributions to officials of municipal entities. FINRA Rule 2030 is modeled after the SEC Pay-to-Play Rule, and imposes restrictions on its member firms from engaging in distribution or solicitation activities that are substantially equivalent to those imposed on investment advisers by the SEC Pay-to-Play Rule. Similarly, amendments to MSRB Rule G-37 extend these same restrictions to brokers, dealers, municipal securities dealers, and municipal advisors.

In brief, the rules listed above effectively impose upon regulated entities a two-year compensation ban if they or their covered associates make certain political contributions to officials of municipal entities, a disclosure requirement for permissible contributions, an anti-circumvention prohibition on engaging third-party solicitors unless they are also subject to a substantially similar contribution ban, and a ban on soliciting or coordinating contributions to political committees that may direct funds to officials of municipal entities.

In order to ensure that FSI PAC’s activities do not violate any of the provisions of the SEC, MSRB and FINRA pay-to-play rules, FSI has implemented certain safeguards. These provisions are derived from guidance issued by the SEC, MSRB and FINRA, as well as best practices established by the industry. FSI PAC has adopted the following procedural safeguards:

- FSI PAC is a separate, segregated fund (“SSF”) registered only with the Federal Election Commission and not registered with any state campaign finance regulator;
- FSI PAC has a board of directors that provides oversight and decision-making with respect to all of the PAC’s contributions, contribution criteria, and policies and procedures;

- The FSI PAC board has determined that the PAC will not contribute to any state or local candidates or state or local officials running for federal office, but rather, only contributes to federal candidates who are incumbents or in the private sector;
- FSI PAC will not contribute to another PAC, including a Leadership PAC, which as its primary purpose supports state and local candidates; contributions to Leadership PACs will only be made upon receipt of a letter from the Leadership PAC's treasurer or legal counsel certifying that the PAC does not support state or local candidates as its primary purpose;
- FSI PAC does not earmark any contributions for state and local candidates;
- FSI PAC does not contribute to any state or local party committees;

FSI PAC's contributions in the past three election cycles have been exclusively to federal incumbent candidates and certifying Leadership PACs. Accordingly, the FSI PAC's activities are in accordance with SEC Rule 206(4)-5, MSRB Rule G-37, and FINRA Rule 2030.

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