

## WHAT IS A PAC?

A Political Action Committee (PAC) is a legal mechanism for individuals to combine financial resources to support political candidates who support their interests. Multicandidate PACs can give \$5,000 to a candidate committee per election – primary, general, or special. They also can give up to \$15,000 annually to any national party committee and \$5,000 annually to any other PAC.

## WHY DID FSI ESTABLISH A PAC?

The FSI PAC pools small financial contributions from our members to create a larger fund. FSI members can play a significant role in electing to federal office candidates who support our mission and interests. The key to success is simple: strength in numbers. The PAC provide the strength necessary to have an impact.

By contributing to PAC—pooling small financial contributions from many to create a larger fund—FSI members can play a significant role in electing to federal office candidates who support our mission and interests: the value of independent financial advice offered through independent broker-dealers and their affiliated financial advisors. The key to success is simple: strength in numbers.

FSI PAC contributes to candidates for federal office who support our views. We do not contribute to buy access—we believe FSI and our members have that right already as citizens in a representative democracy. Instead, we support the election of candidates who support our philosophy of responsible regulation in a free market. Details of the disbursements from the FSI PAC can be found in the FEC Reports that are regularly posted at [financialservices.org](http://financialservices.org).

## WHO IS IN CHARGE OF FSI' PAC?

FSI PAC's bylaws provide for a volunteer Board of Directors comprised of

- An FSI PAC Chairman, who is nominated by the Chair of FSI's Board of Directors,
- FSI's President & CEO, who serves as Treasurer of FSI PAC,
- FSI's General Counsel & Director of Government Affairs, who serves as Assistant Treasurer of FSI PAC, and
- No more than four plus other members of the association who serve two-year terms.

## ARE PACs REGULATED?

Yes. PACs must file periodic reports with the FEC to show where they got their funds and how the funds were used. This allows voters to find out exactly who provides financial backing for candidates. FSI PAC's reports located on the [FEC website](#).

## WHAT ARE THE GUIDELINES OF GIVING MONEY TO A PAC?

Except in extremely limited circumstances, federal law only allows PACs to accept contributions from individuals. A PAC is not permitted to accept corporate checks, contributions of more than \$5,000, contributions from a foreign national unless admitted for permanent residence in the U.S., contributions in the name of another person, or contributions from an LLC unless the LLC has elected to be treated as a

partnership for tax purposes or has only one natural person member and the contribution is attributed to one or more individual members.

## **HOW MUCH CAN I CONTRIBUTE TO A PAC IN FEDERAL ELECTIONS?**

Federal law limits the contributions of individual U.S. citizens to \$5,000 per calendar year to a PAC. Updated information can be found on the [Federal Election Commission website](#).

## **WHAT IS THE MAXIMUM THAT CAN BE CONTRIBUTED BY AN INDIVIDUAL TO MULTIPLE PACs?**

The maximum amount an individual can contribute to PACs and state and local party committees is \$48,600 per two-year election cycle. These contribution limits are subject to adjustment for inflation every other year.

## **CAN MY CORPORATION OR LLC CONTRIBUTE TO FSI PAC?**

In general, the answer is no. Federal law and the laws of many states prohibit corporations from using general corporate funds for candidate contributions. However, contributions from an LLC may be allowed if the LLC has elected to be treated as a partnership for tax purposes or has only one natural person member and the contribution is attributed to one or more individual members.

## **IS A CONTRIBUTION TO FSI PAC A CHARITABLE CONTRIBUTION?**

No. Under federal election and tax laws, contributions to FSI PAC are not deductible as charitable contributions for federal income tax purposes.

## **ARE CONTRIBUTIONS TO FSI PAC A REQUIREMENT OF MEMBERSHIP IN FSI?**

Contributions to FSI PAC are strictly voluntary and not part of any membership “requirement.” However, FSI strongly encourages eligible members to contribute to FSI PAC. These resources are essential to the achievement of our member’s advocacy objectives.

## **HOW IS MY FSI PAC CONTRIBUTION USED?**

FSI PAC contributes to candidates for federal office who support our views. We do not contribute to buy access. FSI, and its members, already have that right already as citizens in a representative democracy. Instead, we support the election of candidates who support our philosophy of responsible regulation in a free market.

## **WHAT IMPACT DOES MSRB RULE G-37 OR SEC “PAY TO PLAY” RULES HAVE ON MY ABILITY TO CONTRIBUTE TO FSI PAC?**

The purpose of MSRB Rule G-37 and the SEC “pay to play” rules is to promote just and equitable principles of trade by prohibiting brokers, dealers, investment advisers and municipal securities dealers from engaging in municipal securities business with issuers if certain political contributions have been made to officials of the issuer. The rule does not prohibit political contributions. However, it may limit a contributor’s ability to engage in municipal securities business.

The MSRB rule requires each dealer to submit to the MSRB on Form G-37 information on its municipal securities business, as well as contributions to issuer officials and payments to state or local political parties made by the dealer, its municipal finance professionals (MFPs), and non-MFP executive officers, and PACs controlled by the dealer or its MFPs. In addition, Rule G-37 prohibits any dealer from engaging in municipal securities business with an issuer within two years after any contribution to an “official of such issuer” made by:

- the dealer;
- any MFP associated with such dealer;
- or any PAC controlled by the dealer or any municipal finance professional.

Rule G-37 also prohibits any dealer from soliciting any person or PAC to contribute to an official of an issuer with which the dealer is engaging or seeking to engage in municipal securities business.

The SEC “pay to play” rule prohibits an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates.

FSI PAC policy is designed to facilitate compliance with MSRB Rule G-37 and the SEC “pay to play” rules. More details are provided below.

Finally, be sure you check with your broker-dealer firm’s MSRB G-37 compliance requirements before making any contribution to FSI PAC.

## **WHAT IS THE FSI PAC’S POLICY WITH REGARD TO MSRB RULE G-37 AND THE SEC “PAY TO PLAY RULES?”**

FSI PAC’s policy with regard to MSRB Rule G-37 and the SEC “pay to play rules” is that contributions will only be made to candidates for federal office who do not currently hold a position as an “official of an issuer,” as Rule G-37 defines that term. As a result, FSI PAC does not contribute to: (1) any candidates for state, county, or local office, (2) any candidates for federal office that currently hold a position as an “official of an issuer”, or (3) any PACs that contribute to any “officials of an issuer.” This policy insures that FSI PAC will avoid contributions to candidates who are associated with governmental entities that issue municipal securities. In this way, FSI PAC facilitates compliance with MSRB Rule G-37 and the SEC “pay to play” rules. Be sure you check with your broker-dealer firm’s MSRB Rule G-37 and SEC “pay to play” compliance requirements before making any contribution to FSI PAC.

## **WHAT PERCENTAGE OF MY CONTRIBUTION IS USED FOR OVERHEAD AND ADMINISTRATION OF THE FSI PAC?**

Less than one percent. Virtually every dollar you contribute to the FSI PAC is used in support of our mission. Under FEC rules, FSI is allowed to pay most administrative expenses of FSI PAC with association funds, maximizing our ability to use virtually all member contributions to support candidates.

## **WHERE CAN I OBTAIN ADDITIONAL INFORMATION ON CONTRIBUTIONS TO CANDIDATES FOR FEDERAL OFFICE AND/OR PACs?**

Additional information can be obtained at the Federal Election Commission’s [website](#).

## IS THERE SOMEONE I CAN TALK TO IF I HAVE ADDITIONAL CONCERS OR QUESTIONS?

Chris Paulitz, FSI's senior vice president, membership & marketing, can be reached [via email](#).

*Disclaimer: The information contained herein is not offered as legal advice, and you should not rely on it as such. Instead it is offered as general background information. You should consult with a lawyer of your choice for specific legal advice.*

**\*Member participation in FSI PAC is strictly voluntary. For further information about political action committees and their guidelines, visit [fec.gov](#).**