November 9, 2026

Via the Commission's Internet Form at https://www.sec.gov/

Securities and Exchange Commission
File Number S7-2026-31
100 F Street NE
Washington, D.C. 20549-1090

RE: Comments to RIN 3235-AN65: Political Contributions by Certain Investment Advisers

To Whom It May Concern:

The National Association of Insurance and Financial Advisors ("NAIFA") appreciates the opportunity to comment on the Securities and Exchange Commission's (the "Commission") proposal to rescind Rule 206(4)-5 under the Investment Advisers Act of 1940 (the "Political Contribution Rule").[1] NAIFA strongly supports the Commission's proposed action to rescind the Political Contribution Rule. Further, and specifically in response to "Request for Comment" number 12, NAIFA strongly believes that the recission would also then require FINRA to eliminate FINRA Rule 2030, its pay-to-play rule applicable to certain broker-dealers.[2]

Founded in 1890 as The National Association of Life Underwriters, NAIFA is the oldest, largest, and most prestigious association representing the interests of financial professionals from every Congressional district in the United States. Our mission—empowering financial professionals and consumers with world-class advocacy and education—is the reason NAIFA has consistently and resoundingly stood up for agents and called upon members to grow their knowledge while following the highest ethical standards in the industry.

NAIFA members—comprised primarily of insurance agents, many of whom are also registered representatives—are Main Street advisors who serve primarily middle-market clients, including individuals and small businesses. Most of our members work in small firms—sometimes firms of one—with little administrative or back-office support. Often, their business practices are dictated by the broker-dealer, insurance company, or independent intermediary with whom they work. They are also subject to transaction-level oversight and review by their overseeing financial institutions. These representatives are several steps removed from investment advisers, have no contact with government entities, and pose zero pay-to-play risk. Yet due to the Political Contribution Rule and its mandates, these representatives are forced to be subject to the same restrictions as investment advisers with daily contact with government officials.

[1] 91 Fed. Reg. 57,698 (Sept. 10, 2026) (the "Proposal"), https://www.federalregister.gov/documents/2026/09/10/2026-18424/political-contributions-by-certain-investment-advisers.
[2] *See id. at* 57,708.

NAIFA supports policies that expand access to financial advice and encourage Americans to save and invest. The Political Contribution Rule, however, undermines those goals by imposing significant compliance burdens, restricting participation in the political process, and chilling constitutionally protected political speech. For the reasons discussed below, NAIFA **supports rescission of the Political Contribution Rule and urges the Commission to clarify in the Final Release that FINRA Rule 2030, which was adopted solely to implement and support the Commission's Rule, should likewise be rescinded.**

Background

In 2010, the Commission adopted the Political Contribution Rule to address concerns that political contributions could influence the award of government investment advisory business. The Rule prohibits an investment adviser from providing advisory services for compensation to a government entity for two years after the adviser or its covered associates make a contribution to an official of the government entity, unless an exception or exemption applies.[3] The Rule also prohibits an investment adviser from soliciting or coordinating political contributions to government entity officials or payments to political parties where the adviser is providing or seeking to provide investment advisory services to a government entity.[4]

Although the Rule was intended to prevent *quid pro quo* arrangements and other fraudulent conduct, the Commission now acknowledges that the Rule has produced significant unintended consequences while providing limited benefits. As the Proposal recognizes, the Rule creates operational challenges, captures activity that does not warrant a two-year compensation ban, imposes unjustified and significant burdens, and results in outright contribution bans.[5]

FINRA Rule 2030 Exists Solely Because the Political Contribution Rule Required a Parallel Broker-Dealer Regime

FINRA Rule 2030 only exists because the Political Contribution Rule required a substantially equivalent broker-dealer framework. When the SEC adopted its Rule, it established restrictions on third-party solicitors and placement agents to prevent advisers from circumventing the Political Contribution Rule. Specifically, the Rule prohibits an investment adviser and its covered associates from providing or agreeing to provide, directly or indirectly, payment to any person to solicit a government entity for investment advisory services on behalf of the investment adviser unless that person is a "regulated person."[6] Broker-dealers qualify as "regulated persons" only if they are subject to FINRA rules that prohibit certain solicitation and distribution activities following political contributions, and the Commission has determined those rules impose substantially equivalent or more

[3] 17 C.F.R. § 275.206(4)-5(a).
[4] *Id*.
[5] *See* Proposal, *supra* footnote 1 at section II.A.
[6] 17 C.F.R. § 275.206(4)-5(a)(2)(i)(A); *see also* Proposal, *supra* footnote 1 at section I.B.

stringent restrictions on broker-dealers than the Political Contribution Rule imposes on investment advisers.[7]

FINRA Rule 2030 was adopted to satisfy that requirement. The Rule was not developed as an independent regulatory framework addressing unique risks in the broker-dealer industry. Rather, it was implemented to mirror and support the SEC's pay-to-play regime for investment advisers. Indeed, FINRA expressly stated that "FINRA 2030 is modeled after the SEC Pay-to-Play Rule, and imposes restrictions on member firms engaging in distribution or solicitation activities that are substantially equivalent to those imposed on investment advisers by the SEC Pay-to-Play Rule."[8]

The structure of Rule 2030 further demonstrates its dependence on the Political Contribution Rule. In addition to the intertwined definitions, Rule 2030 reflects a deliberate effort to replicate the SEC's Rule. Other material provisions of Rule 2030 are largely borrowed from the Political Contribution Rule, as well. For example, both rules contain two-year time outs following distributing, soliciting, or coordinating contributions, and both rules contain the same contribution exceptions, including the 6-month lookback period for new covered associates. Both rules contain the same factors for consideration for exemptions, and definitions for key terms such as "covered associate" and government "official" mirror each other. The Political Contribution Rule's requirement that Rule 2030 impose "substantially equivalent" restrictions created a shared framework that doesn't hold once the Political Contribution Rule is rescinded. Thus, Rule 2030 is a direct extension of the SEC Pay-to-Play rule and likely would not exist without it.

Rescinding the Political Contribution Rule Eliminates the Regulatory and Policy Justification for FINRA Rule 2030, and Retaining Rule 2030 Would Create Regulatory Disparities

The rationale for maintaining Rule 2030 cannot survive the rescission of the Political Contribution Rule. The Commission required broker-dealers to become subject to substantially equivalent restrictions as a condition of participating in the regulatory framework established by the Political Contribution Rule. If the underlying adviser restrictions are no longer necessary, the need for a parallel broker-dealer regime necessarily disappears as well. Put simply, the policy justification for Rule 2030 rises and falls with the policy justification for the Political Contribution Rule.

Leaving Rule 2030 in place after rescinding the Political Contribution Rule would create arbitrary differences in regulatory treatment among similarly situated market participants. Investment advisers would be free from restrictions that continue to apply to broker-dealers engaged in substantially similar activities. An investment adviser could make a political contribution without consequence under federal securities laws, while a broker-dealer making an identical contribution would remain subject to significant restrictions. Such disparate treatment would be difficult to justify, particularly where the SEC has concluded that the underlying adviser restrictions themselves are no longer warranted.

The SEC's Concerns Apply Equally to Rule 2030

[7] FINRA Regulatory Notice 16-40 (August 20, 2017) at p.1.
[8] *Id*. at p.2.

The regulatory connection makes the Commission's reasons for proposing rescission directly relevant to Rule 2030. Similar to the Political Contribution Rule, Rule 2030 imposes substantial compliance and operational burdens. To manage the Rule's restrictions, firms and individuals subject to the Rule 2030, including certain broker-dealers and representatives of those broker-dealers, must maintain extensive compliance systems, monitor covered persons' political contributions, conduct contribution reviews, and provide training and oversight.[9] These measures can impose significant costs even where a contribution poses little risk of improper influence, and ultimately divert resources away from serving clients, developing innovative products, expanding access to financial services, and supporting economic growth. To the extent the Commission has concluded that comparable burdens under the Contribution Rule are disproportionate to their regulatory benefits, we believe that the same conclusion is warranted for the corresponding restrictions under Rule 2030.

The same reasoning applies to the protections supplied by other laws. Federal, state, and local campaign finance laws, procurement requirements, ethics rules, and anti-corruption statutes provide multiple layers of oversight designed to identify and deter improper conduct in public-sector contracting. If the Commission concludes that those safeguards reduce the need for the Political Contribution Rule's additional restrictions, that conclusion also bears directly on Rule 2030, which addresses the same underlying risk in the same government-entity advisory marketplace.

Perhaps most importantly, both Rules burden political participation and core political speech protected by the First Amendment. Since even an inadvertent contribution can trigger severe penalties, many broker-dealers have adopted policies that broadly restrict or prohibit political contributions by the broker-dealer and its representatives. As a result, the Rules have effectively curtailed lawful political participation by broker-dealers and their representatives, even for permissible political contributions, discouraging civic engagement and burdening core political speech protected by the First Amendment.

The SEC cannot eliminate First Amendment burdens for investment advisers—those who operate closest to government officials—while preserving materially identical burdens for broker-dealer personnel engaged in activities far removed from any ability to influence government action. Both Rules' broad restrictions and complex compliance requirements single out those in the financial services industry and create substantial administrative burdens and operational challenges that others in the financial services industry do not face. By relying on burdens on political participation to justify rescinding the Political Contribution Rule, the Commission should also acknowledge the burdens created by Rule 2030's "substantially equivalent" restrictions on broker-dealers and rescind it as well.

Requested Commission Action

For the reasons discussed above, NAIFA strongly supports rescinding the Political Contribution Rule. Rescinding the Rule, and therefore the regulatory basis for the follow-on FINRA Rule, is appropriate and long overdue. The SEC would protect the constitutional rights to engage in the political process

[9] *See generally*, FINRA Rule 4580, Books and Records Requirements for Government Distribution and Solicitation Activities.

while reducing unnecessary compliance costs and regulatory complexity. At the same time, preexisting anti-fraud measures would preserve strong protections against corruption. The SEC's proposed path would also allow those in the financial services industry, including representatives of broker-dealers, to allocate resources more effectively toward supporting their business goals.

In response to its own inquiry in the Proposal, specifically Request for Comment #12, the Commission should also expressly state in the Final Release that FINRA Rule 2030 was adopted as a companion rule to the Political Contribution Rule and derives its purposes from the SEC's pay-to-play framework. The Commission should conclude that since rescinding the Political Contribution Rule eliminates the rationale underlying Rule 2030, FINRA should promptly submit a rule filing rescinding Rule 2030 and that such filing should be promptly approved.

Accordingly, NAIFA appreciates the Commission's actions and agrees with the practical, constitutional and market-based rationales that support the Proposal. The negative impact and downstream consequences of these overbroad, intrusive Rules have long outlived any limited usefulness they were intended to have when adopted. NAIFA respectfully urges the Commission to rescind the Political Contribution Rule and make clear that doing so thereby requires rescinding FINRA Rule 2030.

We appreciate your consideration of these comments. Please do not hesitate to contact our office if you would like to discuss any of these recommendations in greater detail.

Sincerely,



Christopher L. Gandy, LACP
2026 NAIFA President