

SEC Issues Risk Alert on Pay-to-Play Rules

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The SEC has issued a [National Examination Risk Alert](#) related to pay-to-play rules governing firms in the municipal securities business, not surprisingly a hot SEC topic considering the upcoming elections. Apparently, SEC examiners are finding that many firms are not taking the proper steps to comply with a Municipal Securities Rulemaking Board (MSRB) rule that deals with contributions to political campaigns of public officials of companies with whom they are doing or seek to do business.

The Risk Alert details a number of weaknesses regarding firms' "Pay-to-Play" practices, such as:

- Compliance with the two-year look-back,
- Recordkeeping violations,
- Failure to file accurate and complete forms , and
- Inadequate supervision

The SEC also provides some examples for steps that firms have taken to ensure compliance with the rule, such as:

- Employee training,
- Regular surveillance,
- Pre-clearance procedures, and
- Outright prohibitions on any and all political contributions.

For a detailed discussion of the [pay-to-play rules](#), please see our prior post.

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