November 9, 2026

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission

100 F Street NE
Washington, D.C. 20549

Re: Proposed Rescission of Rule 206(4)-5 Under the Investment Advisers Act of 1940; Release No. IA-6994; File No. S7-2026-31

Dear Secretary Countryman:

The Institutional Limited Partners Association (ILPA) appreciates the opportunity to comment on the U.S. Securities and Exchange Commission's proposal to rescind Rule 206(4)-5 under the Investment Advisers Act of 1940, commonly referred to as the Pay-to-Play Rule.

Institutional Investors Seek Merit-Based Adviser Selection Free from Political Influence

ILPA agrees that Rule 206(4)-5 should be modernized. The proposal identifies legitimate concerns regarding compliance burdens, modest or inadvertent contributions, covered associates, look-back periods, and disproportionate consequences. However, those concerns warrant targeted amendments, not rescission of the only federal rule specifically designed to prevent political contributions and solicitation activity from influencing government advisory business. The Commission should retain the rule and address its shortcomings directly.[1]

ILPA represents more than 630 institutional investors in over 50 countries that collectively manage and invest more than $3 trillion in private assets on behalf of pension beneficiaries, retirees, educators, first responders, charitable organizations, and other long-term stakeholders. ILPA's membership includes public and corporate pension plans, endowments, foundations, sovereign wealth funds, insurance companies, and other institutional investors.

ILPA's members have a direct interest in ensuring that investment advisers are selected based on merit and without political influence. Merit-based selection allows advisers to compete on service, fees, and investment performance rather than political contributions. An effective preventive framework protects pension beneficiaries and other long-term investors, promotes confidence in public fiduciary decision-making, and protects advisers against pressure to make contributions to public officials in connection with government investment business.

I. The Commission Has Identified Legitimate Concerns That Support Modernization Rather Than Rescission

The Commission correctly identifies features of the rule that can impose costs disproportionate to the conduct at issue, including static contribution thresholds, the treatment of pre-employment contributions, and severe consequences for technical or inadvertent violations. These shortcomings can be corrected without abandoning the rule. Revised thresholds, clearer definitions, appropriately

[1] *See Proposed Rescission of Rule 206(4)-5 under the Investment Advisers Act of 1940, Investment Advisers Act Release No. 6994, File No. S7-2026-31 (the Proposing Release).*

tailored look-back periods, and workable relief mechanisms would address the Commission's concerns while preserving the rule's investor protection function.[2]

II. The Continued Risk of Pay-to-Play Practices Supports Retention of a Preventive Regulatory Framework

The proposal recognizes that political contributions and improper influence remain legitimate regulatory concerns. It also points to fiduciary duties, anti-fraud provisions, compliance obligations, codes of ethics, and state or local law as safeguards that would remain after rescission. Those authorities are important, but they do not serve the same purpose as a targeted preventive restriction. General standards ordinarily require a fact-intensive inquiry after conduct has occurred. Rule 206(4)-5 instead establishes prospective consequences intended to keep that conduct from affecting manager selection in the first place.

Further, the accompanying statement that Rule 206(4)-5 suppresses political speech is inconsistent with long-standing First Amendment doctrine. The U.S. Supreme Court has recognized that carefully tailored contribution restrictions may serve the important governmental interest of preventing actual or apparent corruption. The rule does not prohibit advisers or their covered associates from speaking about candidates or public issues; rather, it addresses conduct that may call into question the integrity of investment decisions.

That distinction matters especially for public pension plans. Manager selection is multifactorial and largely non-public, so improper influence may be difficult to detect and even more difficult to prove after the fact. The limited incidence of documented misconduct is not a sufficient reason to eliminate a preventive regime that may have helped produce that result.

The appearance of improper influence can undermine public confidence even when actual corruption has not been established. Political contributions by advisers doing business with a public pension system, for example, can raise questions about the independence of investment decisions, expose the system to reputational risk, and weaken confidence in private market allocations made on investment merits. Addressing this risk complements enforcement against actual misconduct.

III. A Consistent Federal Baseline Supports Investor Protection and Market Efficiency

State and local safeguards do not provide the consistency of a uniform federal baseline. They vary materially by covered person, contribution amount, solicitation activity, disclosure obligation, remedy, and enforcement mechanism. Rule 206(4)-5 supplies the common standard needed by advisers and government investors operating across jurisdictions.

Rescission would leave advisers and public investors subject to a mix of state, municipal, pension system, procurement, ethics, and contractual requirements and could prompt additional state-level responses. Rather than assuming that rescission would eliminate compliance costs, the Commission should assess whether removing the federal baseline could increase regulatory fragmentation, heighten compliance uncertainty, and ultimately raise those costs. That assessment should consider potential effects on fundraising and public pension plans' access to investment opportunities alongside the burdens associated with the existing rule.

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[2] *See Proposing Release (discussion of the Rule's operation, compliance burdens, and potential alternatives).*

IV. Private Market Fundraising Warrants Tailored Solicitation Safeguards

The structure of private market fundraising makes tailored safeguards especially important. Private fund commitments are negotiated through relationship-based outreach, diligence, investment committee review, and individualized economic and governance terms rather than on a transparent exchange. Advisers, consultants, placement agents, and other intermediaries may be involved, and the reasons for selecting one manager over another may never become public. These features do not suggest that misconduct is widespread, but they do underscore the need for effective preventive measures.

Placement agents perform legitimate functions, but compensated solicitation can create conflicts or obscure incentives when compensation, political relationships, or access affect whether a manager is considered. These risks warrant effective safeguards in private market fundraising, alongside protections applicable to public market advisory business. The Commission should retain effective solicitation and intermediary safeguards, including protections against advisers accomplishing indirectly what they may not do directly.

V. The Commission Should Pursue Targeted Reforms Rather Than Rescind Rule 206(4)-5

To address the concerns identified in the proposal while preserving the rule's core protections, the Commission should:

- Update and index de minimis contribution thresholds
- Narrow and clarify the covered associate definition and attribution rules
- Calibrate look-back periods and the two-year compensation restriction to the risk presented
- Provide objective, expedited relief for inadvertent or technical violations
- Clarify solicitation and intermediary provisions and streamline risk-based recordkeeping

For certain pre-employment contributions, the Commission should consider whether a notification-based alternative could address the risk without automatically triggering a compensation restriction. Any such alternative should be carefully bound to preserve meaningful protection against improper influence and circumvention. ILPA would welcome further engagement with the Commission on the appropriate scope and safeguards.

These changes would materially reduce unnecessary burdens while preserving the federal framework against pay-to-play activity. They respond directly to the concerns set out in the proposal without giving up the protections the rule was adopted to provide.[3]

Conclusion

The record supports modernization rather than rescission. In ILPA's view, the proposal does not meaningfully demonstrate that pay-to-play risk has disappeared, that general legal duties provide equivalent protection, or that varying state and local regimes can replace a uniform federal standard. Because the Commission can address the rule's shortcomings directly, rescission would go further than the record warrants.

ILPA respectfully urges the Commission to withdraw the proposed rescission and pursue targeted amendments that reduce unnecessary burdens while preserving investor protection, federal

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[3] *See Proposing Release (discussion of contribution limits, covered associates, look-back provisions, compliance costs, and alternatives).*

consistency, and confidence in public fiduciary decision-making. ILPA believes that targeted amendments would better address technical violations without losing deterrence.

ILPA appreciates the Commission's consideration of these comments and would be pleased to provide any additional information.

Sincerely,



Jennifer Choi

Chief Executive Officer

Institutional Limited Partners Association (ILPA)