OREGON STATE TREASURY

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Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Comments of the Oregon State Treasury on the Proposed Rule, "Political Contributions by Certain Investment Advisers," Release No. IA-6994, File No. S7-2026-31, 91 Fed. Reg. 57,698 (Sept. 10, 2026)

Dear Ms. Countryman:

As the Treasurer for the State of Oregon, I write on behalf of the Oregon State Treasury (OST) to urge the Commission not to rescind Rule 206(4)-5, the political contribution rule, and the related recordkeeping provisions of Rule 204-2(a)(18) (together, the Rule). OST invests more than $147 billion, including $104 billion for the Oregon Public Employees Retirement Fund (OPERF), which secures the retirement of more than 420,000 current and former Oregon public employees and their beneficiaries. We hire investment managers from around the world to manage that money pursuant to applicable Oregon statutes and policies established by the Oregon Investment Council (the Council). We offer these comments because the Rule protects our system and our beneficiaries, and because we know what we could lose without it.

We agree with the Commission in one respect: the Rule has real flaws. However, we disagree that the answer is to remove the only enforceable nationwide standard for investment advisers. Our reasons are simple and they stem from how governmental agencies like ours operate and how much the Rule is relied upon across the nation.

Oregon does not have a statute or rule that ties a manager's eligibility for state business to its political giving or that restricts the use of placement agents. What we do have is built in reliance on the federal Rule. In Oregon, our investment contracts ask each manager to represent that neither it nor its covered associates have made or will make contributions that would violate the Rule, and that it retain records the Rule requires. Our Council's ethics standard also requires managers to disclose any attempt to solicit or arrange political contributions to Council members, candidates for State Treasurer, or Treasury staff. The Rule provides managers with essential context and meaning to comply with these disclosure obligations. By establishing standard definitions, like "covered associate," it ensures every manager shares a common understanding. Furthermore, it allows the Commission to examine records and enforce sanctions. Without the Rule and the Commission's oversight, each new mandate's representation would become meaningless and our managers' compliance with their disclosure obligations would likely become more divergent, forcing us to rebuild this regulatory framework from scratch. We believe that several other plans and jurisdictions are in the same position: they decided not to spend valuable time recreating policies and procedures already covered by the Rule. Indeed, the absence of such state and local rules is evidence of the tremendous reliance placed on the Rule, not a sign that the Rule is unneeded.

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The Release recognizes that "pay-to-play practices are rarely explicit" and that it "may be difficult to prove" a link between a contribution and a contract. It also recognizes the consequences: pay-to-play "transfer[s] wealth from taxpayers and fund beneficiaries to investment advisers and government officials," and can result in "higher fees and lower performance for pension funds." In addition, the Release recognizes the Rule was designed as "a prophylactic measure to address pay-to-play practices before they occur." Most telling, the Release notes that the Commission has brought no case like the pre-2010 cases since the Rule took effect, and it concedes that "it is possible that the political contributions rule has had some deterrent effect." As fiduciaries for retirees, we do not measure success by whether the Commission has successfully prosecuted fraud after the fact. The real victory has been prevention: ensuring that managers know exactly where the line is drawn before they ever write a check.

The Release estimates $416 million in annual savings for registered investment advisers. However, we believe the Release does not account for the new rules that states and government agencies are likely to adopt in response to rescission. This fragmented approach will likely force managers to maintain their programs and incur new compliance expenditures, which means the Release likely overstates the savings to advisers. Meanwhile, the actual financial burden on plans like ours is left unexamined; the Release does not estimate it and instead asks commenters whether it has missed costs to state and local governments. From our perspective, those costs are real:

- A patchwork of plan-level rules. Plans like ours may feel compelled to write their own bans, questionnaires, and certifications, and our Legislature may well decide it needs its own rule. That would create the very problem the Commission describes in the Release: managers unable to discern what is permitted and therefore responding with blanket policies that bar all giving. A patchwork approach would likely chill more political participation than one clear federal rule does.

- No standard record to inspect. Without the Rule's recordkeeping requirement, we could not rely on managers to have a uniform record of covered contributions and solicitor payments. We would have to negotiate that with each manager, with different results each time, or find there was nothing to inspect.

- Higher legal and monitoring costs. We would have to negotiate those terms, redesign our diligence for a higher-risk environment, and enforce any breach through our own contract remedies, at our own expense, instead of relying on SEC examination.

Small plans would likely fare worse, as they do not have the asset base to support negotiating bespoke terms with every manager or contracting with third-party providers to track contributions across multiple jurisdictions.

The advisers we have hired may have or be seeking clients in every state. We can write policies for Oregon, but we cannot see whether a manager is paying for business in a jurisdiction with weaker standards. The Rule provides one baseline of conduct that applies to the manager everywhere. State and local laws and system-specific policies built on the Rule are necessary additions for plans to meet their specific governance structures and needs, but they vary, and in some places do not exist, either because the jurisdiction chose not to adopt one or because it relies on the Rule as sufficient.

While we rely on the Rule, the Release identifies some genuine concerns. The de minimis limits of $350 and $150 have not been adjusted since 2010 and sit far below the $3,500 federal campaign finance law limit the Release cites. The lookback for new hires, the narrow cure for returned contributions, and the

"indirect" element in the definitions of "official" and "covered associate" can unintentionally include conduct that poses little risk. The Release itself acknowledges that targeted amendments "would provide greater investor protection than the proposal." We urge the Commission to take that path: index the dollar limits to inflation or to other campaign finance standards, shorten the lookback period, expand the ability to cure inadvertent violations, and simplify the definitions, while keeping the core restriction and the restriction on paying solicitors for government business.

While a disclosure regime cannot replace a rule that prevents the problem in the first place, if the Commission proceeds, we ask that it, at a minimum, provide three safeguards. First, keep the records required by Rule 204-2(a)(18), which are inexpensive for advisers to maintain and the primary way examiners and clients verify compliance. Second, require advisers with government clients to report covered contributions and solicitor payments in a public, searchable form, limited to contributions connected to the government clients a firm serves or seeks to serve, so that plans do not each have to pay a vendor to piece the information together. Third, do not rely solely on general anti-fraud provisions for foreign private advisers and exempt reporting advisers, which creates a dangerous regulatory gap. These managers are exempt from the very compliance programs and codes of ethics the Release counts on for protection. In fact, the Release openly admits that rescinding the rule for this group could result in a "greater" reduction in deterrence. This is a vulnerability for public plans like ours, which may hire private market managers from this segment.

Lastly, and crucially, the Release asks whether the Rule raises significant First Amendment questions. The Rule conditions receipt of public compensation on a manager's conduct, and it does not forbid anyone from making contributions. The D.C. Circuit has twice upheld analogous rules for municipal securities dealers and broker-dealers against First Amendment challenges, finding their restrictions satisfied the strict scrutiny test as they were narrowly tailored to advance a compelling governmental interest. We do not believe the Commission should suggest otherwise, and we ask that it make clear that rescission implies no view on state or plan-level requirements of a similar nature.

For these reasons, the Oregon State Treasury respectfully requests that the Commission withdraw the proposed rescission of Rule 206(4)-5 and the related amendments to Rule 204-2(a)(18). We further ask that the Commission address the Rule's genuine flaws by amending it as described above, rather than removing it.

Respectfully submitted,



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