

dealer would violate [r]Rule G-37 by doing business with an issuer after providing money to any person or entity when the dealer knows that such money will be given to an official of an issuer who could not receive such a contribution directly from the dealer without triggering the rule's prohibition on business. For example, in certain instances, a non-dealer associated PAC or a local political party may be soliciting funds for the purpose of supporting a limited number of issuer officials. Depending upon the facts and circumstances, contributions to the PAC or payments to the political party might well result in the same prohibition on municipal securities business as would a contribution made directly to the issuer official.

(August 6, 1996)

[Q: Does rule G-37 address contributions to non-dealer associated or "special interest" PACs?]

[A: Rule G-37 does not deal directly with contributions to non-dealer associated or "special interest" PACs. Unless the non-dealer associated or "special interest" PAC solicits contributions for the purpose of supporting an issuer official, contributions to these PACs should not result in a ban on business under section (b) of rule G-37.

(August 18, 1994)]

III.5

[Q: If a dealer receives a fund raising solicitation from a non-dealer associated PAC or a political party with no indication of how the collected funds will be used, can the dealer make contributions to the non-dealer associated PAC or payments to the political party without causing a ban on municipal securities business?]

[A: Dealers should inquire of the non-dealer associated PAC or political party how any funds received from the dealer would be used. For example, if the non-dealer associated PAC or political party is soliciting funds for the purpose of supporting a limited number of issuer officials, then, depending upon the facts and circumstances, contributions to the PAC or payments to the political party might well result in the same prohibition on municipal securities business as would a contribution made directly to the issuer official.

(August 6, 1996)

Making Payments to a National Political Party for Its Non-Federal Account (Rule G-37(e))

III.6

[Q: If a national political party accepts payments in which contributors have

designated that their payments be deposited into the account for a state or local political party, must the dealer record such payments and report them on Form G-37?

[A: Yes. Rule G-37 requires that dealers record and report payments made to state and local political parties and the ultimate recipient in the above scenario is a state or local political party so designated by the contributor. (February 16, 1996)]

IV. DEFINITIONS (Rule G-37(g))

Contribution

IV.1

[Q: How is the term "contribution" defined in [r]Rule G-37?

[A: The term "contribution" is defined in [r]Rule G-37(g)(i) to mean any gift, subscription, loan, advance, or deposit of money or anything of value made: (i) for the purpose of influencing any election for federal, state or local office; (ii) for payment of debt incurred in connection with any such election; or (iii) for transition or inaugural expenses incurred by the successful candidate for state or local office.

(May 24, 1994)

IV.2

[Q: Is [r]Rule G-37 applicable to contributions given to officials of issuers who are seeking election to federal office, such as the House of Representatives, the Senate or the Presidency?

[A: Yes. Rule G-37(g)(i) defines "contribution" as, among other things, any gift, subscription, loan, advance, or deposit of money or anything of value made for the purpose of influencing any election for federal, state or local office. (June 15, 1995)]

IV.3

[Q: Does [r]Rule G-37 encompass all contributions to candidates for federal office?

[A: No. Rule G-37 encompasses, for federal offices, only those contributions to an official of an issuer who is seeking election to a federal office.

(May 24, 1994)

IV.4

[Q: Are contributions to bond election committees supporting ballot measures for bonds and tax levies subject to the requirements of [r]Rule G-37?

[A: No.

(May 24, 1994)]

Charitable Donations

IV.5

[Q: Would a charitable donation to an organization made by a dealer at the

request of an issuer official meet the definition of "contribution" in [r]Rule G-37?

[A: No. Charitable donations are not considered political contributions for purposes of [r]Rule G-37 and therefore are not covered by the rule.

(May 24, 1994)]

Municipal Finance Professional

IV.6

[Q: Who is considered a municipal finance professional?

[A: To determine if a particular person is a municipal finance professional, first determine whether the person is an "associated person" of a dealer (other than a bank dealer) under Section 3(a)(18) of the Securities Exchange Act of 1934 (Act), or an associated person of a bank dealer under Section 3(a)(32) of the Act. Then determine whether the associated person fits within one of the four categories listed in the definition of municipal finance professional under [r]Rule G-37.

Under Section 3(a)(18) of the Act, "associated person of a broker or dealer" is defined as:

- Any partner, officer, director, or branch manager (or any person occupying a similar status or performing similar functions);
- Any person directly or indirectly controlling, controlled by, or under common control with the dealer;
- Or any employee of such broker or dealer, except those whose functions are solely clerical or ministerial.

Under Section 3(a)(32) of the Act, "person associated with a municipal securities dealer" when used with respect to a municipal securities dealer which is a bank or a division or department of a bank means:

- Any person directly engaged in the management, direction, supervision, or performance of any of the municipal securities dealer's activities with respect to municipal securities; and
- Any person directly or indirectly controlling such activities or controlled by the municipal securities dealer in connection with such activities.

Under [r]Rule G-37(g)(iv), a municipal finance professional is defined as:

1. Any associated person primarily engaged in municipal representative activities pursuant to [r]Rule G-3(a)(i) (such activities include underwriting, trading, sales, financial advisory and consultant services, research or investment advice on municipal securities, or any other activities which involve communication, directly or indirectly, with public investors relating to the activities listed in this paragraph),