

## How ComplySci Helped One Firm Maintain Pay-to-Play Compliance



2020 was a big year for political contributions at the federal, state, and local levels. Rule 206(4)-5 of the Investment Advisers Act of 1940, otherwise known as the pay-to-play rule, prohibits registered investment advisors from giving gifts or contributing to political campaigns with the expectation of receiving investment business in return. ComplySci's Political Contribution Verification (PCV) module enables firms to identify political contributions made by employees to ensure ongoing compliance with the pay-to-play rule and other regulations applicable to their organization. We spoke with a CCO at one independent investment research firm about how PCV has helped him effectively mitigate pay-to-play risk.

### **CHALLENGES: "TRUST AND VERIFY" IS NOT ENOUGH**

Firms of all sizes know that it is important to establish policies for political contributions. However, our client was struggling to verify the contributions being disclosed. "Formerly, we were using a 'trust and verify' process to review political contributions, but I did not have a good way to verify that the annual attestations were accurate."

Given the increased amount of contributions made in today's political environment, the client also wanted to move to quarterly reviews of political contributions, but worried it would be time-consuming to do so. "I knew it would be more appropriate to do quarterly reviews of political contributions, but I thought the amount of extra work required would be a big strain on our resources."

### **SOLUTION: TECH THAT'S EASY TO IMPLEMENT**

An existing ComplySci user, the firm started using the PCV module as an add-on after learning about its features. The CCO recalls, "It was quite easy to implement and we had no disruptions."

The seamless implementation process and ease-of-use of the product has made it easier for the CCO to focus on other compliance tasks, without worrying about whether employees are violating pay-to-play regulations. More importantly, the CCO doesn't have to spend his own time verifying on time-consuming lookup services like OpenSecrets.

*"Verifying employee political contribution attestation responses gives us peace of mind going into an examination that we can show we go the extra mile to verify." ~ CCO*

### **BENEFITS: MORE ACCURACY, SAVED TIME**

The CCO recognized the benefits of PCV immediately. "We noticed the module was great at confirming all of the contributions that employees had disclosed during the attestation process, while also providing more frequent reports on a quarterly basis."

A sure sign of its accuracy, PCV was able to identify contributions that were not disclosed by employees.

"PCV highlighted a few instances where employees had donated small amounts and did not realize or recall doing so. We likely wouldn't have noticed these without PCV. Once we received the information, we were able to discuss with the employee," the CCO said.

For many employees, conduct risk can be a sensitive topic, especially when it comes to politics. PCV has made the process more efficient for the firm. "PCV simplifies everything for employees, which saves us all time in the long run, and doesn't make employees as annoyed having to disclose such personal information."

### RESULTS: THE RIGHT ANSWER FOR REGULATORS

For those firms that currently use a manual process to verify, or do not verify at all, the CCO stresses that adopting PCV to mitigate pay-to-play risk is valuable for regulatory examinations. "Verifying employee political contribution attestation responses gives us peace of mind going into an examination, knowing that we can show we go the extra mile to verify."

Ultimately PCV is a no-brainer for this firm. "It's easy-to-use, it saves time, and it supports us during examinations. Why wouldn't any firm want to be protected like that?"



ComplySci is a leading provider of technology solutions that help compliance organizations identify, monitor, manage and report on conflicts of interest arising from employee activities, including personal trading, gifts and entertainment, political contributions, outside business affiliations, and other code of ethics violations. Founded in 2003 by early pioneers in the development of automated compliance management solutions, ComplySci is now trusted by over 1,400 customers, including some of the world's largest financial institutions. Compliance Officers rely on ComplySci's scalable and sophisticated platform to stay ahead of risk.

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