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September 6, 2005

Jonathan G. Katz
Secretary
Securities and Exchange Commission
Station Place
100 F Street, NE
Washington, DC 20549-9303

Re: SR-MSRB-2005-12

Dear Mr. Katz:

We are writing on behalf of the Democratic Senatorial Campaign Committee ("DSCC"). The DSCC appreciates this opportunity to submit comments in response to the Securities and Exchange Commission's Notice of the Municipal Securities Rulemaking Board's Filing of Proposed Rule Change Concerning Solicitation and Coordination of Payments to Political Parties and Question and Answer Guidance on Supervisory Procedures Related to Rule G-37(d) on Indirect Violations, 70 Fed. Reg. 48214 (Aug. 16, 2005) ("Notice"). The DSCC encourages the Commission and the MSRB to consider these comments when issuing their final guidance for dealers on supervisory procedures related to Rule G-37(d).

The DSCC recognizes Rule G-37's purpose of addressing conflict of interest concerns that can arise when an issuer official accepts political contributions from dealers seeking municipal securities business that the official has authority to award. However, the DSCC is concerned that the guidance presented in the MSRB's draft Questions and Answers may unnecessarily chill contributions to national party

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committees¹ from municipal finance professionals ("MFPs") and dealer-controlled PACs.

National party committee fundraising and spending activities do not raise the concerns that Rule G-37 was intended to address. No evidence has been presented to suggest otherwise. National party committees operate exclusively to support and elect federal candidates; the vast majority of their activities do not relate to issuer officials at all. To the extent they do, donors cannot direct contributions to issuer officials through a national party committee, as federal law curtails the ability of such committees to earmark funds for particular candidates. *See* 11 C.F.R. § 110.6.

Background

The DSCC is a national political party committee registered with the Federal Election Commission, and is comprised of sitting Democratic Members of the United States Senate. It raises and spends money within federal contribution limits and source restrictions to carry out activities in support of Democratic candidates for U.S. Senate, including get-out-the-vote activities, voter registration and voter identification, and direct candidate support.

The DSCC has maintained, and continues to maintain, an administrative account into which it has deposited contributions received from MFPs and dealer-controlled PACs. All funds from this account are used to pay administrative expenses, such as rent and utilities; none are spent on any partisan activity, party events, or direct candidate support.

Discussion

The MSRB's principal concern in drafting its Questions and Answers was to encourage dealers to implement procedures to prohibit dealers and MFPs from circumventing Rule G-37's restrictions through contributions to political parties and PACs. *See* Form 19b-4 MSRB Notice of Proposed Rule Change (June 21, 2005) at 7, 11. Neither national party committee fundraising in general, nor the DSCC's fundraising in particular, implicates these concerns.

¹ The national party committees are the Democratic National Committee, the Republican National Committee, the DSCC, the National Republican Senatorial Committee, the Democratic Congressional Campaign Committee, and the National Republican Congressional Committee.

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National Party Committee Fundraising

Contributions to national party committees do not present the "pay to play" concerns Rule G-37 was intended to address. As national party committees operate exclusively to support and elect federal candidates, their activities do not generally pertain to or affect issuer officials in any way. Their activities are relevant to Rule G-37 only when an issuer official seeks federal office, which is not the case in the vast majority of federal races.

Nor do the national party committees' fundraising activities present the opportunity for circumvention of Rule G-37 to which the MSRB addressed its draft Questions and Answers. Federal law already places barriers to the direction of contributions to issuer officials through national party committees. FEC rules treat such contributions as "earmarked" to a candidate, and attributes them to the original donors for reporting and limits purposes. *See* 11 C.F.R. § 110.6.

Finally, there is no evidence, whether actual or anecdotal, that contributions to national party committees have actually been made or spent to circumvent Rule G-37. The national party committees have historically worked with dealer-controlled PACs and MFPs to meet dealers' "due diligence" requirements, ensuring that dealers are comfortable that funds from their PACs and MFPs are not used to contravene MSRB rules. The dealer-placed restrictions that governed national party committee contributions previously have been more than adequate to ensure that any funds raised or donated by MFPs do not affect issuer official behavior.

The DSCC's Activities

Like the other national party committees, the DSCC carries out its activities solely at the federal level, and accordingly its activities do not generally raise Rule G-37's "pay to play" concerns. The DSCC spends its funds for DSCC activities and programs as it determines within its sole discretion, not at the direction, behest, or request of its donors. Generally, the DSCC's expenditure decisions are strategic ones made by senior DSCC staff. If the DSCC makes contributions or expenditures at the state or local level, it does so in its own discretion to help achieve its objective of electing Democratic Senate candidates.

Nor can contributions to the DSCC be used to contribute indirectly to an issuer official in contravention of Rule G-37. The DSCC does not accept contributions "earmarked" for a particular candidate—whether federal, state, or local. No single

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donor, or even a large group of donors, can direct or control when these expenditures are made, how much is contributed, or to whom the money is given. Neither the DSCC nor the candidates who receive DSCC support know which donors' funds are used for a particular contribution or expenditure.

As indicated above, the DSCC maintains an administrative account into which it deposits contributions from MFPs and dealer-controlled PACs. The DSCC does not represent to donors that a contribution to this account is a substitute for a contribution to an issuer official, or that a contribution to this account will "free up" money that the DSCC can use to support issuer officials. (As noted above, the DSCC does not raise money for the benefit of any particular candidate, whether an issuer official or not.) The money in this account is in fact spent solely on administrative and overhead expenses—rent, utilities, etc.—and is not contributed to candidates or party committees or spent on any partisan activities.

These DSCC practices are characteristic of other national party committees, and are adopted to ensure compliance with existing FEC regulations. They show further why, at least as to the national parties, the MSRB's draft Questions and Answers are geared toward solving a "problem" that does not now exist. To further restrict MFP and dealer-controlled PAC involvement in national party activities would only curtail the support of non-issuer official candidates and the general operations of the party committees, without having any real impact on the manner in which municipal bond business is awarded. We respectfully urge the Commission to revise the MSRB's proposed Questions and Answers accordingly.

Please do not hesitate to call us should you have further questions.

Very truly yours,



Marc E. Elias

Rebecca H. Gordon

Counsel to the Democratic Senatorial Campaign Committee