Big Banks Don't Follow Goldman on Trump Donation Ban.

Firm aims to prevent breaches of rules on muni bonds and pensions; other banks weigh contributions case by case

Goldman Sachs Group Inc. has taken a hard line on contributions by its partners to Donald Trump's campaign for fear of running afoul of municipal bond and pension rules. Its Wall Street peers aren't following suit.

J.P. Morgan Chase & Co., Bank of America Corp., Citigroup Inc., Morgan Stanley and Wells Fargo & Co. all said they currently had no plans for a blanket contribution ban. Instead, those banks are looking at contributions on a case-by-case basis.

Donations to the campaign of Donald Trump became an issue for Goldman because of vice presidential candidate Mike Pence, who is governor of Indiana. Goldman's roughly 550 partners received an email from the compliance department in late August instructing them that as of Sept. 1 they were banned from making campaign contributions to sitting state and local elected officials or candidates running for state and local offices. The email noted that this includes the Trump campaign. Other Goldman employees wouldn't be affected by the blanket ban.

The new policy, though, doesn't affect donations by Goldman partners and other employees to groups such as the Republican National Committee, an option that remains open and that has been communicated informally within the bank, according to a person familiar with the matter.

Rather, Goldman said the focus on the Trump campaign and Gov. Pence was aimed at preventing breaches of the Securities and Exchange Commission's pay-to-play rules. Those rules seek to prevent investment advisers from using political contributions to influence government officials charged with selecting underwriters for municipal securities or advisers for government investment assets, including state pension funds.

Under a rule adopted by the SEC in 2010, political contributions to state and local officials with influence over hiring investment advisers above a few hundred dollars trigger a two-year "timeout" period, during which the investment adviser can't receive compensation from the relevant government entity. The rule applies to contributions from firms' top executives and managing partners, employees who solicit a government entity for advisory business and any political-action committees they control.

Similar rules have covered municipal-bond underwriting since the 1990s. After John McCain tapped then-Alaska Gov. Sarah Palin as his running mate in 2008, the Municipal Securities Rulemaking Board, which makes rules regulating dealers of municipal bonds, sent a notice to the broker-dealer industry informing them that contributions to the McCain-Palin campaign would trigger the ban under its rules.

The pay-to-play rules aren't an issue for Hillary Clinton's campaign because neither she nor her running mate, Tim Kaine, is a state or local government official. Mr. Kaine is a U.S. senator for

Virginia and a former governor of that state, but the rules don't cover federal officeholders or former officeholders.

Goldman's blanket contribution ban is especially notable because the firm isn't among the bigger Wall Street players in the market for underwriting municipal bonds. It has, however, served as an investment adviser to the Indiana Public Retirement System.

The firm may be taking a harder line because it has previously run "afoul of the municipal-bond pay-to-play rules," said Stetson University College of Law associate professor Ciara Torres-Spelliscy. In 2012, Goldman agreed to pay $12 million to settle charges that a former banker in its Boston office worked for the political campaign of a former Massachusetts treasurer while winning bond underwriting business in the state. The fine was the largest ever imposed by the SEC at the time for pay-to-play violations, said Ms. Torres-Spelliscy.

In addition, there has been concern within Goldman about "look-back" provisions in the rules. Even if an employee who isn't covered makes a donation, this could later become an issue if that staffer moves into an area that is covered by pay-to-play rules, such as within certain areas of the firm's municipal-bond or asset-management businesses. That has become more of a concern as employees move into the asset-management business, according to a person familiar with the matter.

Rivals aren't being as strict. Instead of applying a ban to all senior staff, other banks are following longstanding policies of evaluating whether a particular individual's role would make a proposed contribution a breach of pay-to-play rules.

At Bank of America, certain employees are supposed to get clearance from compliance officials before making any political contributions, a spokesman said. Citigroup employees, depending on their role and location, can be required to get clearance for political contributions, according to a spokesman. Policies at J.P. Morgan, Wells Fargo and Morgan Stanley are generally along the same lines.

Most big banks have their own political-action committees, but they usually don't contribute to presidential candidates.

It is unlikely that the different approaches among big banks will tilt campaign fundraising either way. Even though political contributions from Wall Street banks in this election cycle have tilted Republican, much of that has gone to defunct campaigns of former candidates for the Republican nomination and campaigns for House and Senate seats, rather than to the Trump campaign.

Mrs. Clinton is the top recipient of campaign cash from employees of many of the big banks, according to data from the Center for Responsive Politics.

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