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MSRB Releases Draft Amendments to Rule G-20 on Gifts, Gratuities and Noncash Compensation, Requests Comments

On October 23, 2014, the Municipal Securities Rulemaking Board (MSRB) released Notice 2014-18 (the Notice), containing draft amendments to Rule G-20, with conforming changes to MSRB Rules G-8 and G-9 (required records and preservation period, respectively) (the Draft Amendments). The Draft Amendments would extend Rule G-20 to municipal advisors and make other changes that also would affect broker-dealers engaging in municipal securities business. The more notable provisions in the Draft Amendments are described below.

Comments on the Draft Amendments are due to the MSRB by December 8, 2014. The Draft Amendments are [here](#).

In addition, the MSRB announced in a press release that it will hold a webinar on the Draft Amendments on November 13, 2014. The press release, with a link to registration for the webinar, is [here](#).

Notable Provisions in the Draft Amendments

Current Rule G-20 generally prohibits broker-dealers engaging in municipal securities business from providing any thing or service of value greater than \$100 per year to a person in relation to the municipal securities activities of the recipient's employer, including a principal for whom the recipient is acting as agent or representative. There are certain exemptions under the current rule and current interpretive guidance issued by the MSRB and the Financial Industry Regulatory Authority.

Among other things, the Draft Amendments would:

- Extend Rule G-20 to apply to municipal advisors.
- Codify within G-20 current interpretive guidance relating to exemptions for normal business dealings that are deductible business expenses, transaction-commemorative gifts (*e.g.*, Lucite tombstones), *de minimis* gifts, promotional items of nominal value, bereavement gifts and personal gifts. The rule also would contain new supplementary material on personal gifts.
- Add a new provision prohibiting broker-dealers and municipal advisors from requesting or obtaining reimbursement from the proceeds of a municipal securities offering for entertainment expenses. However, this provision would expressly exempt reasonable and necessary expenses for meals hosted by the broker-dealer or municipal advisor directly related to the offering for which it was retained.
 - Prohibited entertainment expenses would include, for example, theater, sports or other recreational spectator-event tickets; sightseeing tours; and transportation related to attending entertainment events.

- The MSRB states in the Notice that the new provision would not restrict a broker-dealer or municipal advisor from advancing normal travel costs to personnel of a municipal entity for business travel related to a municipal securities issuance, and obtaining reimbursement for such costs.
- Clarify through new Supplementary Material that Rule G-20 is not intended to supersede any more restrictive provisions of applicable state or other laws.