



Political Law Alert

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FINRA Seeks Comments on Proposed Gift Rule Changes

The Financial Industry Regulatory Authority (FINRA) has filed a regulatory notice seeking comment on proposed changes to its gift, business entertainment and noncash compensation rules for broker-dealers. Comments must be submitted by September 23, 2016. Below is a brief summary of the proposed rules.

Gifts

In light of inflation, FINRA is proposing to amend Rule 3220 to adjust the gift limit from \$100 to \$175 per year. The proposed rule also would require supervisory and recordkeeping policies and procedures for a broker-dealer's gift-giving. This would codify exemptions from the limits and recordkeeping requirements for bereavement gifts, personal gifts, plaques/Lucites, gifts valued at less than \$50 and promotional materials.

Business Entertainment

Proposed Rule 3222 would codify a principles-based analysis for business entertainment. The rule would require broker-dealers to establish business entertainment policies and supervisory procedures to prevent business entertainment that is or could reasonably be interpreted as intended as a quid pro quo. Such policies must delineate permissible and impermissible entertainment based on the location, nature, frequency and dollar amount of the entertainment, and require employee training. They also must require the attendance of an associated person of the firm at the business entertainment and prohibit entertainment preconditioned on hitting a sales target. Finally, the policies and procedures would be required to include detailed recordkeeping. Please note that while the other two proposed rules described here have a \$50 de minimis exemption from recordkeeping and limits, the business entertainment rule has no such exemption.

Noncash Compensation

Proposed Rule 3221 would expand the existing prohibition on providing or receiving noncash compensation in connection with the sale of certain securities to apply to the sale of any securities. The proposed rule would exempt gifts up to \$175 per year, as well as certain training and educational events, and most benefits provided to the firm's own associated persons. The proposed rule would, however, prohibit product-specific internal sales contests. In addition, it would not allow business entertainment in connection with training and educational events. The proposed rule also would require the broker-dealer to maintain records of its noncash compensation.

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