



## Gifts and Gratuities

FINRA Conduct Rule 3060 states that no RR may accept or give, directly or indirectly, compensation, items of value, or any gratuity (related to the sale of securities) in excess of \$100 per individual, per year. RRs may not accept or give, directly or indirectly, any compensation or items of value in excess of \$100 related to the sale of securities without the prior approval of BD. Compensation, items of value, and gratuities may include, but are not limited to meals, tickets to sporting events or the theater, golf outings, etc.

For the purposes of determining the \$100 limit, the following parameters apply:

- Value of the gifts given by the firm and each of its associated persons to a particular recipient over the course of a calendar year must be totaled (aggregated).
- Gifts must be valued at the higher of cost or market value, exclusive of tax and delivery charges.
- Tickets must be valued at the higher of market value or face value.
- If gifts are given to multiple recipients, gifts must be valued on a pro rata per recipient basis.

The prohibitions of Rule 3060 generally do not apply to the following:

- Personal gifts such as a wedding gift or a congratulatory gift for the birth of a child, provided that these gifts are not "in relation to the business of the employer of the recipient". A gift would not be "in relation to the business of the employer of the recipient" if (1) there is a pre-existing personal or family relationship between the person giving the gift and the recipient and (2) the RR pays for the gift (firm cannot reimburse the employee).
- De minimis and Promotional Items
  - Gifts of de minimis value (e.g., pens, notepads, or modest desk ornaments — gift value substantially below \$100)
  - Promotional items of nominal value that display the firm's logo (e.g., umbrellas, tote bags, or shirts)
  - Customary Lucite tombstones, plaques, or other similar solely decorative items commemorating a business transaction, even when such items have a cost of more than \$100

Ordinary and usual business entertainment where the associated person is acting as host is not subject to the above limitations. However, if the associated person is not personally acting as host, the provision of tickets, rounds of golf, limousines, and like services would be viewed as gratuities. Such gratuities must be valued at the higher of cost or market value. Additionally, gifts given during the course of business entertainment and conferences must be recorded as gifts. For example, an umbrella given during a round of golf is considered a gift.

All gifts given or received must be recorded on the Gifts Log. The Gifts Log must be reviewed by the Designated Supervisor quarterly, at minimum, to ensure compliance with Rule 3060. Copies of Gift Logs must be maintained in the branch locations and by Compliance.

### **Business Entertainment**

"Business entertainment" is defined as providing entertainment to a customer's employee in the form of any social event, hospitality event, charitable event, sporting event, entertainment event, meal, leisure activity, or event of the like nature or purpose. It also includes any transportation and/or lodging associated with or related to such activity or event, including such business entertainment offered in connection with an educational event or business conference.

To be considered business entertainment **and** not a gift, an associated person of the Firm must accompany and participate with the customer's employee(s) irrespective of whether any business is conducted during, or is considered attendant to, such event.

### **Appropriate Forms of Business Entertainment**

The criteria that the Firm uses to evaluate the propriety of business entertainment may include the following factors:

With respect to the entertainment:

Whether the nature, cost, or extent of the entertainment could reasonably give rise to an actual or perceived conflict of interest, or encourage a quid pro quo business transaction

Whether the nature, cost, and extent of the entertainment is consistent with the nature of the business relationship and the relationship of the parties involved

Whether the provision of any transportation, lodging, or other accommodations is appropriate

Whether the entertainment would be considered usual and customary within the industry

Whether the entertainment would be considered usual and customary with the member organization

Whether the cost of the entertainment is consistent with the location (city and/or establishment) in which the entertainment takes place

Whether the entertainment extends to the client's spouse or to guests of the client

Whether the entertainment might otherwise reasonably be perceived to be improper

With respect to the client:

Whether the recipient of the entertainment has fiduciary duties (e.g., to a public company, a state, or a municipality) that may give rise to specific legal or ethical considerations.

Frequency of entertainment provided to the client

Frequency of firm contact with the client in the ordinary course of business

With respect to the business purpose:

Whether the entertainment is in recognition of a completed deal

Whether the entertainment is education/philanthropic in nature, or strictly recreational

### **Records of Expenses**

Associated persons must submit to the Designated Supervisor detailed records of the nature and expense of business entertainment that includes the following information, at minimum:

- Date(s) of business entertainment
- Customer and employee name(s)
- Description of the activity
- Cost of the activity

Records of business entertainment must be made available upon written request to a customer in respect of its employees.

### **Supervision**

The Designated Supervisor must review the submitted expense records to ensure that the business entertainment expenses were appropriate and not so lavish as to interfere with an employee's duty to a customer. If an activity is deemed to be inappropriate, the Designated Supervisor must impose disciplinary measures (i.e., additional training; require pre-approval for proposed business expense; prohibition against future business entertainment) designed to prevent any future violations that may undermine the performance of an employee's duty to a customer. Additionally, the Designated Supervisor may request to review an associated person's banking account and other financial records as a means of monitoring business entertainment expenses.

The Firm will also review the effectiveness of its supervision of business entertainment as part of its annual test of the Firm's supervisory control procedures. Any gaps identified during the test and the measures taken to address the gaps will be included in the written report presented to Senior Management.

### **Training**

The Firm will implement a training program addressing business entertainment to ensure that associated persons understand their responsibilities regarding such expenses. The periodic training will include such topics as what is considered appropriate business entertainment including venues, the frequency, types and class of accommodation and transportation in connection with business entertainment, and the dollar amounts of business entertainment. Designated Supervisors must receive additional training to ensure they understand their specific responsibilities regarding the supervision, approval, and documentation of business expenses.

Training may be conducted by both internal and external resources. However, the Firm will review and approve any external training seminars prior to any registered representative's attendance to ensure that the content is appropriate.

Training session attendance or review of training materials must be documented by the associated person's signature on an attendance sheet (or similar document) and verified by

the Designated Supervisor and/or the Compliance Department. The attendance sheet along with information about the content of the training will be maintained by the Compliance Department.