

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 21		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2025 - * 003 Amendment No. (req. for Amendments *) 1	
Filing by Financial Industry Regulatory Authority					
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934					
Initial * <input type="checkbox"/>		Amendment * <input checked="" type="checkbox"/>		Withdrawal <input type="checkbox"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		Section 19(b)(2) * <input checked="" type="checkbox"/>		Section 19(b)(3)(A) * <input type="checkbox"/>	
				Section 19(b)(3)(B) * <input type="checkbox"/>	
				Rule	
		<input type="checkbox"/> 19b-4(f)(1)		<input type="checkbox"/> 19b-4(f)(4)	
		<input type="checkbox"/> 19b-4(f)(2)		<input type="checkbox"/> 19b-4(f)(5)	
		<input type="checkbox"/> 19b-4(f)(3)		<input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Section 806(e)(2) * <input type="checkbox"/>		
			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div></div>					
<b>Contact Information</b> Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.					
First Name *		Ilana		Last Name * Reid	
Title *		Associate General Counsel			
E-mail *		ilana.reid@finra.org			
Telephone *		(202) 728-8268		Fax	
<b>Signature</b> Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.					
Date		09/11/2025		(Title *)	
By		Victoria		Crane	
		(Name *)			
NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.					
<div>Victoria.Crane@finra.org</div> <div>Digitally signed by Victoria.Crane@finra.org Date: 2025.09.11 16:51:42 -04'00'</div>					

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549		
For complete Form 19b-4 instructions please refer to the EDFS website.		
<div>Form 19b-4 Information *</div> <div><div>AddRemoveView</div><div></div></div>	<p>The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.</p>	
<div>Exhibit 1 - Notice of Proposed Rule Change *</div> <div><div>AddRemoveView</div><div></div></div>	<p>The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)</p>	
<div>Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *</div> <div><div>AddRemoveView</div><div></div></div>	<p>The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)</p>	
<div>Exhibit 2- Notices, Written Comments, Transcripts, Other Communications</div> <div><div>AddRemoveView</div><div></div></div>	<p>Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.</p> <div><input type="checkbox"/> Exhibit Sent As Paper Document</div>	
<div>Exhibit 3 - Form, Report, or Questionnaire</div> <div><div>AddRemoveView</div><div></div></div>	<p>Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.</p> <div><input type="checkbox"/> Exhibit Sent As Paper Document</div>	
<div>Exhibit 4 - Marked Copies</div> <div><div>AddRemoveView</div><div>FINRA-2025-003 Partial A-1 Exhibit 4.</div><div></div></div>	<p>The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.</p>	
<div>Exhibit 5 - Proposed Rule Text</div> <div><div>AddRemoveView</div><div>FINRA-2025-003 Partial A-1 Exhibit 5.</div><div></div></div>	<p>The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change</p>	
<div>Partial Amendment</div> <div><div>AddRemoveView</div><div>FINRA-2025-003 Partial A-1.docx</div><div></div></div>	<p>If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.</p>	

On May 29, 2025, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change, SR-FINRA-2025-003 (the “Proposal”). The Proposal would amend FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the “Gifts Rule”) to increase the gift limit from \$100 to \$250, provide for exemptive relief, and incorporate existing guidance and interpretive letters. The Proposal also would make a conforming change to the gift limit in Rule 2310 (Direct Participation Programs), Rule 2320 (Variable Contracts of an Insurance Company), Rule 2341 (Investment Company Securities), and Rule 5110 (Corporate Financing Rule – Underwriting Terms and Arrangements) (together, the “non-cash compensation rules”).

The Commission published the Proposal for public comment in the Federal Register on June 17, 2025.<sup>1</sup> The Commission received nine comment letters on the Proposal.<sup>2</sup> All commenters expressed general support for the Proposal; however, some commenters suggested modifications.

FINRA is submitting by separate letter its response to comments on the Proposal contemporaneously with this Partial Amendment No. 1. As discussed in FINRA’s response to comments, this Partial Amendment No. 1 would increase the gift limit to \$300 and add proposed supplementary material regarding bereavement gifts.

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<sup>1</sup> See Securities Exchange Act Release No. 103226 (June 11, 2025), 90 FR 25674 (June 17, 2025) (Notice of Filing of File No. SR-FINRA-2025-003).

<sup>2</sup> See letter from Daniel LeGaye, Managing Partner, LeGaye Law Firm P.C., to FINRA Office of the Corporate Secretary, dated June 26, 2025 (“LeGaye”); letter from Patricia Reinard-Kopsa, Chief Compliance Officer, Trubee Wealth Advisors, to SEC, dated July 3, 2025; letter from Jessica R. Giroux, Chief Legal Officer, American Securities Association, to Vanessa Countryman, Secretary, SEC, dated July 8, 2025 (“ASA”); letter from Michael Decker, Senior Vice President, Research and Public Policy, Bond Dealers of America, to Secretary, SEC, dated July 8, 2025 (“BDA”); letter from Clifford Kirsch & Eric Arnold, Eversheds Sutherland for the Committee of Annuity Insurers, to Secretary, SEC, dated July 8, 2025 (“CAI”); letter from David T. Bellaire, Executive Vice President & General Counsel, Financial Services Institute, to Vanessa Countryman, Secretary, SEC, dated July 8, 2025 (“FSI”); letter from Tara Buckley, Deputy General Counsel, Investment Company Institute, to Ilana Reid, Associate General Counsel, FINRA, dated July 8, 2025 (“ICI”); letter from Matt Billings, President, Robinhood Financial LLC, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated July 8, 2025 (“Robinhood”); and letter from Bernard V. Canepa, Managing Director and Associate General Counsel, SIFMA, to Vanessa Countryman, Secretary, SEC, dated July 8, 2025 (“SIFMA”).

### Gift Limit

The Proposal would increase the gift limit from \$100 to \$250. All commenters supported increasing the gift limit, but some suggested that the gift limit be increased more than \$250 to account for future inflation. For example, CAI recommended a \$300 limit or alternatively suggested that FINRA embed in the Gifts Rule “some type of formalized recalculation of the gift limit on some periodic basis (e.g., every 5 years) based on the annual rate of inflation.” FSI and Robinhood both suggested a \$500 limit. FSI noted that \$500 would “mitigate cost-of-living inequities and account for differences in purchasing power across parts of the country” and “provide a cushion against future inflationary pressures and reduce the frequency of necessary adjustments.” Similarly, Robinhood stated that “a higher limit is necessary to take into account future inflation and the likelihood that the new limit will remain in place for many years.”

In response to these comments, FINRA is amending the Proposal to increase the gift limit to \$300.<sup>3</sup> FINRA generally agrees with the commenters that a further increase to the gift limit would account for future inflation as well as cost-of-living inequities and differences in purchasing power across parts of the country.

As described in the Proposal, in determining whether and how much to propose increasing the gift limit, FINRA considered the rate of inflation since 1992, when the gift limit was increased from \$50 to \$100.<sup>4</sup> If the same average annual rate of inflation for the past 32 years was maintained and applied to the \$100 gift limit, this would result in a dollar value of \$294.78 in 2035. On this basis, a \$300 gift limit should account for future inflation for approximately 10 years, thereby reducing the frequency of future upward adjustments to account for inflation. Further, as stated in the Proposal, FINRA intends to review periodically the gift limit to determine if further increases are warranted.

### Bereavement Gifts

Proposed Rule 3220.04 of the Proposal addressed personal gifts given for infrequent life events, such as a bereavement gift. Proposed Rule 3220.04 states: “When the member bears the cost of the gift, either directly or by reimbursing an associated person, FINRA presumes that such gift is not personal in nature and instead is in relation to the business of the employer of the recipient.”

SIFMA raised concerns about treating bereavement gifts as a type of personal gift. SIFMA pointed out that FINRA’s prior guidance on bereavement gifts addresses “gifts sent on behalf of a member firm or its associated persons to acknowledge the death

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<sup>3</sup> FINRA proposes a conforming amendment to the gift limit in the non-cash compensation rules.

<sup>4</sup> FINRA used the annual rate of inflation data for the United States from the Federal Reserve Bank of St. Louis website to estimate the change in consumer prices since 1992.

of an employee of a client, or a member of such employee's immediate family.”<sup>5</sup> By contrast, FINRA's prior guidance on personal gifts provides that when the member bears the cost of the gift, either directly or by reimbursing an associated person, FINRA presumes that such gift is not personal in nature and instead is in relation to the business of the employer of the recipient.<sup>6</sup>

In response to this comment, FINRA is amending the Proposal to separate the proposed supplementary material on bereavement gifts from the proposed supplementary material on personal gifts. FINRA agrees with SIFMA's observation that, under current guidance, customary and reasonable bereavement gifts from members are not considered in relation to the business of the employer of the recipient. By contrast, under current guidance, personal gifts paid for by members are presumed to be in relation to the business of the employer of the recipient and thus not personal in nature.

Thus, FINRA is amending the Proposal to remove the reference to “bereavement gifts” from Rule 3220.04 (Personal Gifts) and to add Rule 3220.05 (Bereavement Gifts).<sup>7</sup> Proposed Rule 3220.05 would state:

Bereavement gifts that are customary and reasonable are not considered to be in relation to the business of the employer of the recipient and, therefore, are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule.

With this Partial Amendment No. 1, FINRA is including Exhibit 4, which reflects changes to the text of the proposed rule change pursuant to this Partial Amendment No. 1, marked to show the changes to the text as proposed in the Proposal, and Exhibit 5, which reflects all proposed changes to the current rule text, as amended by this Partial Amendment No. 1.

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<sup>5</sup> See letter from Gary L. Goldsholle, Vice President & Associate General Counsel, FINRA, to Amal Aly, Managing Director & Associate General Counsel, SIFMA, dated December 17, 2007, available at <https://www.finra.org/rulesguidance/guidance/interpretive-letters/amal-aly-sifma-reasonable-and-customarybereavement-gifts>.

<sup>6</sup> See Notice to Members 06-69.

<sup>7</sup> Under Partial Amendment No. 1, proposed Rule 3220.05 through 3220.08 would be renumbered.

## **EXHIBIT 4**

Exhibit 4 shows the changes proposed in this Partial Amendment No. 1, with the proposed changes in the original filing shown as if adopted. Proposed new language in this Partial Amendment No. 1 is underlined; proposed deletions in this Partial Amendment No. 1 are in brackets.

\* \* \* \* \*

### **FINRA Rules**

\* \* \* \* \*

## **2300. SPECIAL PRODUCTS**

### **2310. Direct Participation Programs**

(a) through (b) No Change.

#### **(c) Non-Cash Compensation**

(1) No Change.

#### **(2) Restriction on Non-Cash Compensation**

In connection with the sale and distribution of direct participation program or REIT securities, no member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided below. Non-cash compensation arrangements must be consistent with the applicable requirements of SEA Rule 151-1 (“Regulation Best Interest”) and are limited to the following:

(A) Gifts that do not exceed an annual amount per person fixed periodically by the Board of Governors<sup>1</sup> and are not conditioned on achievement of a sales target.

(B) through (E) No Change.

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<sup>1</sup> The current annual amount fixed by the Board of Governors is \$300[250].

(d) No Change.

**2320. Variable Contracts of an Insurance Company**

(a) through (f) No Change.

**(g) Member Compensation**

In connection with the sale and distribution of variable contracts:

(1) through (3) No Change.

(4) No member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided below. Notwithstanding the provisions of paragraph (g)(1), the following non-cash compensation arrangements are permitted provided that they are consistent with the applicable requirements of SEA Rule 15l-1 (“Regulation Best Interest”):

(A) Gifts that do not exceed an annual amount per person fixed periodically by FINRA<sup>1</sup> and are not preconditioned on achievement of a sales target.

(B) through (E) No Change.

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**2341. Investment Company Securities**

(a) through (k) No Change.

**(l) Member Compensation**

In connection with the sale and distribution of investment company securities:

(1) through (4) No Change.

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<sup>1</sup> The current annual amount fixed by the Board of Governors is \$300[250].

(5) No member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided below. Notwithstanding the provisions of paragraph (l)(1), the following non-cash compensation arrangements are permitted provided that they are consistent with the applicable requirements of SEA Rule 15l-1 (“Regulation Best Interest”):

(A) Gifts that do not exceed an annual amount per person fixed periodically by FINRA<sup>1</sup> and are not preconditioned on achievement of a sales target.

(B) through (E) No Change.

(m) through (n) No Change.

\* \* \* \* \*

## **3200. RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS**

\* \* \* \* \*

### **3220. Influencing or Rewarding Employees of Others**

(a) No member or person associated with a member shall, directly or indirectly, give or permit to be given anything of value, including gratuities, in excess of \$300[250] per individual per year to any person, principal, proprietor, employee, agent or representative of another person where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. A gift of any kind is considered a gratuity.

(b) No Change.

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<sup>1</sup> The current annual amount fixed by the Board of Governors is \$300[250].



(c) Subject to Supplementary Materials .04 through .07[6], a separate record of all payments or gratuities in any amount known to the member, the employment agreement referred to in paragraph (b) of this Rule and any employment compensation paid as a result thereof shall be retained by the member for the period specified by SEA Rule 17a-4.

(d) No Change.

• • • **Supplementary Material:** -----

**.01 Gifts Incidental to Business Entertainment.** A gift given during the course of a business entertainment event is subject to this Rule unless it is consistent with the requirements of Supplementary Material .04 or [.05].06 of this Rule.

**.02 Valuation of Gifts.** Gifts must be valued at cost, exclusive of tax and delivery charges, except when valuing tickets for sporting or other events, for which a member must use the higher of cost or face value. If gifts are given to multiple recipients, members must record the names of each recipient and calculate and record the value of the gift on a pro rata per recipient basis, for purposes of ensuring compliance with the \$300[250] limit in paragraph (a) of this Rule.

**.03 Aggregation of Gifts.** Members must aggregate all gifts given by the member and each associated person of the member to a particular recipient over the course of the year for purposes of ensuring compliance with the \$300[250] limit in paragraph (a) of this Rule. In addition, each member must state in its procedures whether it is aggregating all gifts given by the member and its associated persons on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any particular recipient. The aggregation

requirements of this Supplementary Material do not apply to gifts that are consistent with the requirements of Supplementary Material .04 or [.05].06 of this Rule.

**.04 Personal Gifts.** Gifts that are given for infrequent life events (e.g., a wedding gift[,]  
or a congratulatory gift for the birth of a child[, or a bereavement gift]) are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule, provided the gifts are customary and reasonable, personal in nature and not in relation to the business of the employer of the recipient. In determining whether a gift is “personal in nature and not in relation to the business of the employer of the recipient,” members should consider a number of factors, including the nature of any pre-existing personal or family relationship between the person giving the gift and the recipient and whether the associated person paid for the gift. When the member bears the cost of the gift, either directly or by reimbursing an associated person, FINRA presumes that such gift is not personal in nature and instead is in relation to the business of the employer of the recipient.

**.05 Bereavement Gifts.** Bereavement gifts that are customary and reasonable are not considered to be in relation to the business of the employer of the recipient and, therefore, are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule.

**.0[5]6 *De Minimis* Gifts and Promotional or Commemorative Items**

(a) Gifts of a *de minimis* value (e.g., pens, notepads, or modest desk ornaments) or promotional items of nominal value that display the member’s logo (e.g., umbrellas, tote bags, or shirts) are not subject to the restrictions in paragraph (a) of this Rule or the

recordkeeping requirements in paragraph (c) of this Rule, provided that the value of the gift or promotional item is substantially below the ~~\$300~~[250] limit.

(b) Customary and reasonable solely decorative items commemorating a business transaction are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule.

**~~.0[6]~~7 Donations Due to Federally Declared Major Disasters.** Donations by a member or an associated person to any person, principal, proprietor, employee, agent or representative of another person to provide assistance to the individual for losses sustained in a natural event that the President has declared to be a major disaster, such as a wildfire, hurricane, tornado, earthquake, or flood, are not considered “in relation to the business of the employer of the recipient” for purposes of Rule 3220(a). Such donations are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule.

**~~.0[7]~~8 Supervision and Recordkeeping.** Rule 3110 requires a member to have a supervisory system reasonably designed to achieve compliance with Rule 3220. To meet these standards, members are required to have systems and procedures reasonably designed to ensure that payments and gratuities in relation to the business of the employer of the recipient given by the member and its associated persons to employees of another person are: (a) reported to the member; (b) reviewed for compliance with this Rule; and (c) maintained in the member’s records. Such procedures must be reasonably designed to ensure that an associated person who is giving a payment or gratuity is not responsible for determining whether such payment or gratuity is in relation to the business of the recipient’s employer. Members are not required to maintain records of gifts that are

consistent with the requirements of Supplementary Material .04 through .07[6] of this Rule.

**.0[8]2 Gifts to a Member's Associated Persons or Individual Retail Customers.** This Rule does not apply to gifts from a member to its own associated persons, or to gifts from a member or an associated person to individual retail customers.

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## **5100. SECURITIES OFFERINGS, UNDERWRITING AND COMPENSATION**

### **5110. Corporate Financing Rule — Underwriting Terms and Arrangements**

(a) through (e) No Change.

#### **(f) Non-Cash Compensation**

(1) No Change.

#### **(2) Restrictions on Non-Cash Compensation**

In connection with the sale and distribution of a public offering of securities, no member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided below. Non-cash compensation arrangements must be consistent with the applicable requirements of SEA Rule 151-1

("Regulation Best Interest") and are limited to the following:

(A) Gifts that do not exceed an annual amount per person fixed periodically by the Board of Governors<sup>1</sup> and are not preconditioned on achievement of a sales target.

(B) through (E) No Change.

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<sup>1</sup> The current annual amount fixed by the Board of Governors is \$300[250].

(g) through (j) No Change.

• • • **Supplementary Material:** -----

.01 through .07 No Change.

\* \* \* \* \*

## **EXHIBIT 5**

Exhibit 5 shows the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

\* \* \* \* \*

### **FINRA Rules**

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## **2300. SPECIAL PRODUCTS**

### **2310. Direct Participation Programs**

(a) through (b) No Change.

#### **(c) Non-Cash Compensation**

(1) No Change.

#### **(2) Restriction on Non-Cash Compensation**

In connection with the sale and distribution of direct participation program or REIT securities, no member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided below. Non-cash compensation arrangements must be consistent with the applicable requirements of SEA Rule 151-1 (“Regulation Best Interest”) and are limited to the following:

(A) Gifts that do not exceed an annual amount per person fixed periodically by the Board of Governors<sup>1</sup> and are not conditioned on achievement of a sales target.

(B) through (E) No Change.

(d) No Change.

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<sup>1</sup> The current annual amount fixed by the Board of Governors is \$300[100].

**2320. Variable Contracts of an Insurance Company**

(a) through (f) No Change.

**(g) Member Compensation**

In connection with the sale and distribution of variable contracts:

(1) through (3) No Change.

(4) No member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided below. Notwithstanding the provisions of paragraph (g)(1), the following non-cash compensation arrangements are permitted provided that they are consistent with the applicable requirements of SEA Rule 15l-1 (“Regulation Best Interest”):

(A) Gifts that do not exceed an annual amount per person fixed periodically by FINRA<sup>1</sup> and are not preconditioned on achievement of a sales target.

(B) through (E) No Change.

\* \* \* \* \*

**2341. Investment Company Securities**

(a) through (k) No Change.

**(l) Member Compensation**

In connection with the sale and distribution of investment company securities:

(1) through (4) No Change.

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<sup>1</sup> The current annual amount fixed by the Board of Governors is \$300[100].

(5) No member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided below. Notwithstanding the provisions of paragraph (l)(1), the following non-cash compensation arrangements are permitted provided that they are consistent with the applicable requirements of SEA Rule 15l-1 (“Regulation Best Interest”):

(A) Gifts that do not exceed an annual amount per person fixed periodically by FINRA<sup>1</sup> and are not preconditioned on achievement of a sales target.

(B) through (E) No Change.

(m) through (n) No Change.

\* \* \* \* \*

## **3200. RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS**

\* \* \* \* \*

### **3220. Influencing or Rewarding Employees of Others**

(a) No member or person associated with a member shall, directly or indirectly, give or permit to be given anything of value, including gratuities, in excess of [one hundred dollars] \$300 per individual per year to any person, principal, proprietor, employee, agent or representative of another person where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. A gift of any kind is considered a gratuity.

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<sup>1</sup> The current annual amount fixed by the Board of Governors is \$300[100].



(b) This Rule shall not apply to contracts of employment with or [to] compensation for services rendered by persons enumerated in paragraph (a) of this Rule provided that there is in existence, prior to the time of employment or before the services are rendered, a written agreement between the member and the person who is to be employed to perform such services. Such agreement shall include the nature of the proposed employment, the amount of the proposed compensation, and the written consent of such person's employer or principal.

(c) Subject to Supplementary Materials .04 through .07, a[A] separate record of all payments or gratuities in any amount known to the member, the employment agreement referred to in paragraph (b) of this Rule and any employment compensation paid as a result thereof shall be retained by the member for the period specified by SEA Rule 17a-4.

(d) Pursuant to the Rule 9600 Series, FINRA staff, for good cause shown after taking into consideration all relevant factors, may conditionally or unconditionally grant an exemption from any provision of this Rule to the extent that such exemption is consistent with the purpose of the Rule, the protection of investors, and the public interest.

**• • • Supplementary Material: -----**

**.01 Gifts Incidental to Business Entertainment.** A gift given during the course of a business entertainment event is subject to this Rule unless it is consistent with the requirements of Supplementary Material .04 or .06 of this Rule.

**.02 Valuation of Gifts.** Gifts must be valued at cost, exclusive of tax and delivery charges, except when valuing tickets for sporting or other events, for which a member

must use the higher of cost or face value. If gifts are given to multiple recipients, members must record the names of each recipient and calculate and record the value of the gift on a pro rata per recipient basis, for purposes of ensuring compliance with the \$300 limit in paragraph (a) of this Rule.

**.03 Aggregation of Gifts.** Members must aggregate all gifts given by the member and each associated person of the member to a particular recipient over the course of the year for purposes of ensuring compliance with the \$300 limit in paragraph (a) of this Rule. In addition, each member must state in its procedures whether it is aggregating all gifts given by the member and its associated persons on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any particular recipient. The aggregation requirements of this Supplementary Material do not apply to gifts that are consistent with the requirements of Supplementary Material .04 or .06 of this Rule.

**.04 Personal Gifts.** Gifts that are given for infrequent life events (e.g., a wedding gift or a congratulatory gift for the birth of a child) are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule, provided the gifts are customary and reasonable, personal in nature and not in relation to the business of the employer of the recipient. In determining whether a gift is “personal in nature and not in relation to the business of the employer of the recipient,” members should consider a number of factors, including the nature of any pre-existing personal or family relationship between the person giving the gift and the recipient and whether the associated person paid for the gift. When the member bears the cost of the gift, either directly or by reimbursing an associated person, FINRA presumes that such

gift is not personal in nature and instead is in relation to the business of the employer of the recipient.

**.05 Bereavement Gifts.** Bereavement gifts that are customary and reasonable are not considered to be in relation to the business of the employer of the recipient and, therefore, are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule.

**.06 De Minimis Gifts and Promotional or Commemorative Items**

(a) Gifts of a *de minimis* value (e.g., pens, notepads, or modest desk ornaments) or promotional items of nominal value that display the member's logo (e.g., umbrellas, tote bags, or shirts) are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule, provided that the value of the gift or promotional item is substantially below the \$300 limit.

(b) Customary and reasonable solely decorative items commemorating a business transaction are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule.

**.07 Donations Due to Federally Declared Major Disasters.** Donations by a member or an associated person to any person, principal, proprietor, employee, agent or representative of another person to provide assistance to the individual for losses sustained in a natural event that the President has declared to be a major disaster, such as a wildfire, hurricane, tornado, earthquake, or flood, are not considered "in relation to the business of the employer of the recipient" for purposes of Rule 3220(a). Such donations are not subject to the restrictions in paragraph (a) of this Rule or the recordkeeping requirements in paragraph (c) of this Rule.

**.08 Supervision and Recordkeeping.** Rule 3110 requires a member to have a supervisory system reasonably designed to achieve compliance with Rule 3220. To meet these standards, members are required to have systems and procedures reasonably designed to ensure that payments and gratuities in relation to the business of the employer of the recipient given by the member and its associated persons to employees of another person are: (a) reported to the member; (b) reviewed for compliance with this Rule; and (c) maintained in the member's records. Such procedures must be reasonably designed to ensure that an associated person who is giving a payment or gratuity is not responsible for determining whether such payment or gratuity is in relation to the business of the recipient's employer. Members are not required to maintain records of gifts that are consistent with the requirements of Supplementary Material .04 through .07 of this Rule.

**.09 Gifts to a Member's Associated Persons or Individual Retail Customers.** This Rule does not apply to gifts from a member to its own associated persons, or to gifts from a member or an associated person to individual retail customers.

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## **5100. SECURITIES OFFERINGS, UNDERWRITING AND COMPENSATION**

### **5110. Corporate Financing Rule — Underwriting Terms and Arrangements**

(a) through (e) No Change.

#### **(f) Non-Cash Compensation**

(1) No Change.

#### **(2) Restrictions on Non-Cash Compensation**

In connection with the sale and distribution of a public offering of securities, no member or person associated with a member shall directly or

indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided below. Non-cash compensation arrangements must be consistent with the applicable requirements of SEA Rule 151-1 ("Regulation Best Interest") and are limited to the following:

(A) Gifts that do not exceed an annual amount per person fixed periodically by the Board of Governors<sup>1</sup> and are not preconditioned on achievement of a sales target.

(B) through (E) No Change.

(g) through (j) No Change.

• • • **Supplementary Material:** -----

.01 through .07 No Change.

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**9600. PROCEDURES FOR EXEMPTIONS**

**9610. Application**

**(a) Where to File**

A member seeking exemptive relief as permitted under Rules 0180, 1210, 1220, 2030, 2114, 2210, 2231, 2241, 2242, 2310, 2359, 2360, 3170, 3220, 4210, 4311, 4320, 4360, 4540, 5110, 5121, 5122, 5123, 5130, 5131, 6183, 6625, 6731, 6732, 8211, 8213, 11870, or 11900, or Municipal Securities Rulemaking Board Rule G-37 shall file a written application with the appropriate department or staff of FINRA.

(b) through (c) No Change.

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<sup>1</sup> The current annual amount fixed by the Board of Governors is \$300[100].