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September 23, 2016

VIA ELECTRONIC MAIL

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

RE: FINRA Regulatory Notice (16-29): Request for Comment on Proposed Amendments to FINRA Rule 3220 (Influencing or Rewarding Employees of Others), as well as Proposed FINRA Rule 3221 (Restrictions on Non-Cash Compensation), and Proposed FINRA Rule 3222 (Business Entertainment)

Dear Ms. Asquith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit these comments in response to FINRA Regulatory Notice (16-29), on proposed amendments to its gifts, gratuities and non-cash compensation rules. BDA is the only DC-based group representing the interests of middle-market securities dealers and banks focused on the U.S. fixed income markets. We welcome this opportunity to present our comments on this Notice.

BDA members appreciate that FINRA has proposed to consolidate various interpretative guidance documents related to gifts and non-cash compensation into the FINRA rulebook. This should aid compliance and improve the clarity of FINRA rules related to gifts, gratuities, and non-cash compensation. However, many of the compliance efficiencies that could be created through consolidation will be minimized by the departure in harmonization with the MSRB’s corresponding rule (G-20). For example, the proposed \$175 limit exceeds the \$100 limit set in MSRB’s Rule G-20 and this differential will create unnecessary compliance burdens for dealer firms. Below, we outline our specific concerns with the proposed lack of harmonization between FINRA and MSRB gift and non-cash compensation rules.

BDA urges FINRA to leave the gift limit unchanged at \$100 until such time that FINRA and the MSRB can harmonize this limit.

While BDA believes that it makes sense to increase this limit to reflect inflation, BDA does not believe it will be valuable to increase the gift limit at this time since the increase would result in differing FINRA and MSRB gift limits. This unnecessary lack of harmonization will create compliance difficulties that are similar to the burden that exists today due to differences in political contribution limits. Specifically, MSRB’s political contribution limit in Rule G-37 is \$250 for contributions to officials for which the person can vote. The corresponding political contribution limits for investment advisers and swap dealers are \$350. We believe that MSRB and FINRA should endeavor to eliminate this type of unnecessary compliance burden.

As you know, the current gift and non-cash compensation limit set by MSRB Rule G-20 is \$100. For dealers active in both the taxable and municipal marketplaces, differing standards present an unnecessary compliance burden and create an unnecessary operational burden because dealers will be required to follow two different rule sets for supervising and tracking an identical activity. It would be far easier to have an established, identical limit for gifts related to municipal and non-municipal securities activities. MSRB and FINRA should increase their efforts related to establishing harmonized rules when, in instances like this, it would easily reduce regulatory and compliance burdens on dealers.

For example, a dealer that is active in both the taxable and municipal securities markets would have to ensure that it has given no more than \$100 to a person specifically in relation to municipal securities or municipal advisory activities, and no more than \$175 to the same person specifically related to the “business of the employer of the recipient” exclusive of the \$100 limit related municipal securities or municipal advisory activities. This creates an unnecessarily confusing circumstance for dealers active in both markets. Until the MSRB is prepared to increase the limit in Rule G-20, BDA’s members believe it would be much easier to retain the current limit of \$100 so that dealers can more easily track the aggregate value of gifts as required by .07 of the proposed Supplementary Material to a specific individual. We would be open to increasing this limit at a future point in time when FINRA and the MSRB can revise the limit in both rules simultaneously.

However, if FINRA feels compelled to increase the gift limit at this time, BDA recommends increasing the limit to \$200 to make recordkeeping and tracking aggregate amounts easier. Compliance personnel at dealer firms would prefer to build systems that track an even, round number.

In summary, BDA dealer firms believe that for the sake of regulatory and compliance simplicity, the limit should be the same as the limit contained in MSRB Rule G-20, which is \$100 until FINRA and the MSRB can revise the limit in both rules. This would make it far easier for dealers to track, supervise, and comply.

BDA appreciates the opportunity to present these comments.

Sincerely,



Mike Nicholas
Chief Executive Officer