

Rule G-20: Gifts, Gratuities, Non-Cash Compensation and Expenses of Issuance

(a)–(b) No Change.

(c) *General Limitation on Value of Gifts and Gratuities.* No regulated entity or any of its associated persons shall, directly or indirectly, give or provide or permit to be given or provided any thing or service of value, including gratuities, in excess of \$300 [\$100] per year to a person [(other than an employee or partner of such regulated entity)], if such payments or services are in relation to the municipal securities or municipal advisory activities of the employer of the recipient of the payment or service. For purposes of this rule the term "employer" shall include a principal for whom the recipient of a payment or service is acting as agent or representative.

(d) *Gifts and Gratuities Not Subject to General Limitation.* The general limitation of section (c) [of this rule] shall not apply to the following gifts, provided that they do not give rise to any apparent or actual material conflict of interest:

(i) *Normal Business Dealings.* Occasional gifts of meals or tickets to theatrical, sporting, and other entertainments that are hosted by the regulated entity or its associated persons, and the sponsoring by the regulated entity of legitimate business functions that are recognized by the Internal Revenue Service as deductible business expenses; provided that such gifts shall not be so frequent or so extensive as to raise any question of propriety. Notwithstanding the foregoing, any gift given during the course of a normal business dealing as described within this provision is subject to the general limitation of section (c) unless such gift meets the requirements of one or more of the exceptions as described in subsections (d)(ii)–(iv) and (d)(vi).

(ii) *Transaction-Commemorative Gifts.* Gifts that are solely decorative items commemorating a business transaction, such as a customary plaque or desk ornament (e.g., Lucite tombstone).

(iii) *De Minimis Gifts.* Gifts of *de minimis* value (e.g., pens, notepads or modest desk ornaments). The value of the gift must be substantially below the \$300 limit of section (c).

(iv) *Promotional Gifts.* Promotional items of nominal value displaying the regulated entity's corporate or other business logo (e.g., umbrellas, tote bags, or shirts). The value of the item must be substantially below the \$300 [\$100] limit of section (c) [to be considered of nominal value].

(v) *Bereavement Gifts.* Bereavement gifts that are reasonable and customary for the circumstances because such gifts are not considered to be in relation to the business of the employer of the recipient.

(vi) *Personal Gifts.* Gifts that are personal in nature given upon infrequent life events (e.g., a wedding gift or a congratulatory gift for the birth of a child) provided the gifts are reasonable and customary.

(e)–(f) No Change.

(g) *Non-Cash Compensation in Connection with Primary Offerings.* In connection with the sale and distribution of a primary offering of municipal securities, no broker, dealer or municipal securities dealer, or any associated person thereof, shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation. Notwithstanding the foregoing and the general limitation of section (c) [of this rule], the following non-cash compensation arrangements are permitted, provided that they are consistent with the applicable requirements of Regulation Best Interest, Rule 151-1 under the Act:

(i) gifts that do not exceed \$300 [\$100] per individual per year and are not preconditioned on achievement of a sales target;

(ii)–(v) No Change.

Supplementary Material

.01 Valuation[s] of Gifts. In general, gifts should be valued at [the higher of] cost [or market value], exclusive of tax and delivery charges. When valuing tickets for sporting or other entertainment events, a regulated entity should use the higher of cost or face value. If gifts are given to multiple recipients, regulated entities should 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 general limitation of section (c).

.02 Aggregation[s] of Gifts. Regulated entities must aggregate all gifts given by the regulated entity and each associated person of the regulated entity to a particular recipient that are subject to the general limitation of section (c) over the course of a year for purposes of ensuring compliance with the general limitation. Regulated entities must consistently aggregate all gifts on a calendar year basis, fiscal year basis, or 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 not subject to the general limitation of section (c) as described in section (d) and that are consistent with the requirements of Supplementary Materials .03 and .05.

.03[.04] Personal Gifts. A gift that is personal in nature under subsection (d)(vi) is not subject to the general limitation of section (c) [of this rule] because that limitation applies only to payments or services that are in relation to the municipal securities or municipal advisory activities of the employer of the recipient. In determining whether a gift is personal in nature and not in relation to such activities of the employer of the recipient, a number of factors will be considered including, but not limited to, the nature of any pre-existing personal or family relationship between the associated person giving the gift and the recipient and whether the associated person or the regulated entity with which he or she is associated paid for the gift. When a regulated entity bears the cost of a gift, either directly or indirectly by reimbursing an associated person, the gift will be presumed to be given in relation to the municipal securities or municipal advisory activities, as applicable, of the employer of the recipient within the meaning of the general limitation of section (c) [of this rule].

.04 [.03] Promotional Gifts and “Other Business Logo.” Logos of a product or service being offered by a regulated entity, for or on behalf of a client or an affiliate of that regulated entity, would constitute an “other business logo” under subsection (d)(iv). The logo of a 529 college savings plan for which a regulated entity is acting as distributor, for example, would constitute such an “other business logo.”

.05 Donations Due to Federally Declared Major Disasters. Donations by a regulated entity 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 municipal securities or municipal advisory activities of the employer of the recipient of the payment or service” for the purposes of Rule G-20(c), and, therefore, are not subject to the general limitation of section (c) or the recordkeeping requirements under MSRB Rule G-8(h)(ii).

.06 Supervision and Recordkeeping. Regulated entities must have a supervisory system reasonably designed to achieve compliance with Rule G-20, including applicable provisions of Rule G-8. To meet these standards, regulated entities are required to have systems and procedures reasonably designed to ensure that payments or services in relation to the municipal securities or municipal advisory activities of the employer of the recipient given by the regulated entity and its associated persons to employees of another person are (i) reported to the regulated entity; (ii) reviewed for compliance with this rule; and (iii) maintained in the regulated entity’s records. Such procedures must be reasonably designed to ensure that an associated person who is giving a payment or service is not responsible for determining whether such payment or service is in relation to the municipal securities or municipal advisory activities of the recipient’s employer, unless complying with Supplementary Material .03 of Rule G-44. In addition, each regulated entity must state in its procedures whether it is aggregating all gifts given by the regulated entity and its associated persons on a calendar year, fiscal year, or rolling basis beginning with the first gift to any particular recipient, as described in Supplementary Material .03. Regulated entities are not required to maintain records of gifts not subject to the general limitation of section (c) as described in section (d) and that are consistent with the requirements of Supplementary Materials .03 and .05.

.07 Gifts to a Regulated Entity’s Associated Persons or Individual Retail Customers. This rule does not apply to gifts from a regulated entity to its own associated persons, or to gifts from a regulated entity or an associated person to individual retail customers.

.08 [.05] Applicability of State or Other Laws. Regulated entities and their associated persons may be subject to other duties, restrictions or obligations under state or other laws in this area. Nothing contained in this rule shall be deemed to supersede any more restrictive provision of state or other laws applicable to the activities of regulated entities or their associated persons.