

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 64

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2026 - * 02

Amendment No. (req. for Amendments *)

Filing by Municipal Securities Rulemaking Board

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
--	---	--	--	--	---

Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	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 checked="" type="checkbox"/> 19b-4(f)(6)		
-----------------------------------	--	--	--	--	--

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change Consisting of Amendments to MSRB Rule G-20 to Revise the MSRB's Gift and Gratuities Requirements to Preserve Alignment with Amendments to FINRA Rule 3220 and to Make Certain Technical Amendments

Contact Information

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 * Bri Last Name * Joiner

Title * Senior Director, Market Regulation

E-mail * bjoiner@msrb.org

Telephone * (202) 838-1500 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Municipal Securities Rulemaking Board has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 05/01/2026

(Title *)

By Ronald W. Smith

Corporate Secretary

(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.

rsmith@msrb.org
rg
Digitally signed by
rsmith@msrb.org
Date: 2026.05.01 09:53:51
-04'00'

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 EFFS website.

Form 19b-4 Information *

Add Remove View

MSRB-2026-02 19b-4.docx

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.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

MSRB-2026-02 Exhibit 1.docx

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)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

Add Remove View

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)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

Add Remove View

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.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

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.

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

Add Remove View

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.

Exhibit 5 - Proposed Rule Text

Add Remove View

MSRB-2026-02 Exhibit 5.docx

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

Partial Amendment

Add Remove View

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.

1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (“Exchange Act”),¹ and Rule 19b-4 thereunder,² the Municipal Securities Rulemaking Board (“MSRB”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change consisting of amendments to MSRB Rule G-20, on gifts, gratuities, non-cash compensation and expenses of issuance, to (i) revise the MSRB’s gift and gratuities requirements for brokers, dealers, and municipal securities dealers (collectively, “dealers”) and municipal advisors (together with dealers, “regulated entities”) to preserve alignment with the Financial Industry Regulatory Authority (“FINRA”) amendments to FINRA Rule 3220³ (“FINRA’s gift rule amendment”), and (ii) make technical amendments to renumber certain rule provisions under MSRB Rule G-20 to enhance the clarity of the rule (collectively, the “proposed rule change”).

The MSRB has designated the proposed rule change as constituting a “noncontroversial” rule change under Section 19(b)(3)(A)⁴ of the Exchange Act and Rule 19b-4(f)(6)⁵ thereunder, which renders the proposal effective upon receipt of this filing by the Commission. The operative date for the proposed rule change would be June 1, 2026, for dealers that are FINRA members. However, a separate compliance date of December 1, 2026, would apply for all municipal advisors as well as dealers that are not FINRA members (“bank dealers”)⁶ with respect to the proposed rule change. Until such compliance date for municipal advisors and bank dealers, such regulated entities would be subject to the existing provisions of MSRB Rule G-20, including, but not limited to, the gift limit (i.e., \$100 limit per person per year) and overarching supervisory and recordkeeping requirements, as applicable.

(a) The text of the proposed rule change is included as Exhibit 5. Text proposed to be added is underlined, and text proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release No. 104830 (Feb. 12, 2026), 91 FR 7570 (Feb. 18, 2026), File No. SR-FINRA-2025-003 (“FINRA Approval Order”), available at <https://www.sec.gov/files/rules/sro/finra/2026/34-104830.pdf>.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

⁶ A bank dealer is defined under MSRB Rule D-8 as a municipal securities dealer which is a bank or a separately identifiable department or division of a bank.

2. Procedures of the Self-Regulatory Organization

The board of directors of the MSRB approved the proposed rule change at its January 28–29, 2026 meeting. Questions concerning this filing may be directed to Bri Joiner, Senior Director, Market Regulation, or Lucian Grove, Assistant Director, Market Regulation, at 202-838-1500.

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The proposed rule change is intended to more closely harmonize the MSRB’s provisions relating to the giving of gifts and gratuities in MSRB Rule G-20 to FINRA Rule 3220, as amended by FINRA’s gift rule amendment, in furtherance of promoting greater efficiency in complying with MSRB Rule G-20 by clarifying certain regulatory obligations of regulated entities without reducing the protection of investors and the public interest and at the same time making them consistent with current FINRA Rule 3220. MSRB Rule G-20 prohibits regulated entities and their associated persons, in certain circumstances, from giving directly or indirectly any thing or service of value, including gratuities (hereinafter referred to as “gifts”), in excess of \$100 per year to any person in relation to the municipal securities or municipal advisory activities of the recipient’s employer.⁷ The rule is meant to maintain the integrity of the municipal securities market, including the bond issuance process, by ensuring the prevention of improprieties and conflicts of interest that may arise associated with the giving of gifts in relation to the business of the recipient’s employer.⁸

The MSRB believes the proposed rule change would enhance regulated entities’ understanding of their compliance obligations under MSRB Rule G-20, including by avoiding regulatory inconsistency in the application of MSRB and FINRA rules with respect to dealers that are FINRA members. To that end, the MSRB is proposing to amend MSRB Rule G-20, consistent with FINRA Rule 3220 as amended by FINRA’s gift rule amendment, to (i) increase the gift limit from \$100 to \$300 per person per year; (ii) address how gifts incidental to normal business dealings should be treated; (iii) revise valuation and aggregation requirements; (iv) codify additional exceptions to which the gift limit and recordkeeping requirements do not apply; (v) establish additional supervision and recordkeeping requirements; and (vi) clarify that the rule does not apply to gifts from a regulated entity to its own associated persons or to individual retail customers. The proposed rule change would also make technical amendments to renumber certain Supplementary Materials for simplicity and better organization. The amendments are addressed below.

⁷ MSRB Rule G-20 does not apply to gifts given by a regulated entity to its own employees or partners.

⁸ MSRB Rule G-20(a).

Background

Current MSRB Rule G-20

The MSRB adopted MSRB Rule G-20 in 1978,⁹ alongside several other rules including the MSRB’s baseline fair practice rule, MSRB Rule G-17, with the purpose to “codify basic standards of fair and ethical business conduct for municipal securities professionals.”¹⁰ Originally applicable to dealers, MSRB Rule G-20 was amended in 2015 to extend its provisions to municipal advisors.¹¹ The rule functions to protect against improprieties and conflicts of interest that may arise when a regulated entity, or its associated persons, attempts to induce organizations active in the municipal securities market to engage in business with such regulated entity by means of gifts given to employees of such organizations. However, MSRB Rule G-20 should not be read in isolation from other MSRB fair practice rules, including MSRB Rule G-17.

In pertinent part, MSRB Rule G-20 currently prohibits a regulated entity,¹² and its associated persons, in certain circumstances, from giving directly or indirectly gifts in excess of \$100 per year to a person other than an employee or partner of the regulated entity.¹³ This prohibition only applies if such gifts are in relation to the municipal securities or municipal advisory activities of the employer of the recipient of the payment or service.¹⁴ This general limitation (hereinafter referred to as the “gift limit”), currently set forth in section (c) of MSRB Rule G-20, has remained fixed at \$100 since MSRB Rule G-20 was adopted in 1978.¹⁵

MSRB Rule G-20 currently specifies certain types of gifts that are not subject to the gift limit, provided that they do not give rise to any apparent or actual material conflict of interest.¹⁶

⁹ See Exchange Act Release No. 15247 (Oct. 27, 1978), 43 FR 50526 (Oct. 30, 1978), File No. SR-MSRB-77-12.

¹⁰ See Exchange Act Release No. 14519 (Mar. 2, 1978), 43 FR 9672, 9672 (Mar. 9, 1978), File No. SR-MSRB-77-12.

¹¹ See Exchange Act Release No. 76381 (Nov. 6, 2015), 80 FR 70271 (Nov. 13, 2015), File No. SR-MSRB-2015-09.

¹² See MSRB Rule G-20(b)(vii).

¹³ MSRB Rule G-20(c).

¹⁴ Id. For the purposes of Rule G-20, the definition of the term “employer” includes a principal for whom the recipient of a payment or service is acting as agent or representative. Id.

¹⁵ See supra note 10, 43 FR at 9673.

¹⁶ MSRB Rule G-20(d)(i)–(vi), respectively.

- (i) normal business dealings, which include occasional gifts of meals or tickets to theatrical, sporting, and other entertainments that are hosted by the regulated entity or its associated persons,¹⁷ 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;
- (ii) transaction-commemorative 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, such as pens, notepads or modest desk ornaments;
- (iv) promotional gifts of nominal value displaying the regulated entity's corporate or other business logo¹⁸ and that are substantially below the gift limit (considered of nominal value);
- (v) bereavement gifts that are reasonable and customary for the circumstances; and
- (vi) 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).¹⁹

MSRB Rule G-20 includes Supplementary Material, which provides guidance relating to the valuation and the aggregation of gifts and to the applicability of state laws. Supplementary Material .01, on valuations of gifts, currently states that a gift's value should be determined generally according to the higher of its cost or market value, and that tickets to a sporting or other entertainment event should use the higher of cost or face value. Supplementary Material .02, on aggregations of gifts, currently states that regulated entities must aggregate all gifts that

¹⁷ Pursuant to MSRB Rule G-20, if the regulated entity or its associated person(s) failed to host (i.e., accompany guests) such types of events, then gifts of this kind would be subject to the gift limit.

¹⁸ Under current Supplementary Material .03, on 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).

¹⁹ Under current Supplementary Material .04, on personal gifts, the rule, among other things, exempts personal gifts that are not "in relation to the municipal securities or municipal advisory activities of the employer of the recipient" from the gift limit. The Supplementary Material states that, in determining whether a gift is personal in nature, 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.

are subject to the gift limit given by the regulated entity and each associated person of the regulated entity to a particular recipient over the course of a year.²⁰

As noted above, MSRB Rule G-20 does not conclusively exempt these categories of gifts from the gift limit as such gifts must not give rise to any apparent or actual material conflict of interest, even if they otherwise fully meet the description of an exempt category of gifts, consistent with a core purpose of the rule to protect against improprieties and conflicts of interest that may arise when regulated entities or their associated persons give gifts or gratuities in relation to the municipal securities or municipal advisory activities of the recipients' employers under Rule G-20(a). Furthermore, MSRB Rule G-17, on conduct of municipal securities and municipal advisory activities, applies to the activities of regulated entities, whether or not another rule may apply to certain aspects of such activities.²¹ As such, the MSRB reminds regulated entities that MSRB Rule G-17 has long been articulated as a rule that complements the other rules centered on the protection of investors, municipal entities, obligated persons and the public interest. Depending on the particular facts and circumstances, a regulated entity may violate the fundamental fair-dealing obligations of MSRB Rule G-17 if such regulated entity engages in behavior that would constitute a deceptive, dishonest or unfair practice, whether or not such behavior also constitutes a violation of MSRB Rule G-20, as amended by this proposed rule change.

With respect to the applicability of state or other laws, the MSRB notes that regulated entities and their associated persons may be subject to other duties, restrictions or obligations under state or other laws and nothing within the rule shall be deemed to supersede any more restrictive provision of state or other laws in this area.²²

²⁰ A "year" is defined by the regulated entity (*i.e.*, calendar year, fiscal year, or rolling basis beginning with the first gift given to any particular recipient). See Supplementary Material .02 to MSRB Rule G-20.

²¹ For example, the MSRB has previously provided guidance regarding payments for excessive or lavish entertainment expenses that, depending on the specific facts, can constitute both a violation of MSRB Rule G-20 and MSRB Rule G-17. See MSRB Interpretation, Dealer Payments in Connection With the Municipal Securities Issuance Process (Jan. 29, 2007), available at <https://www.msrb.org/Dealer-Payments-Connection-Municipal-Securities-Issuance-Process>.

²² Supplementary Material .05. The MSRB recognizes that the federal government and many states and localities limit gifts to government officials and their employees.

FINRA's Gift Rule Amendment

FINRA's gift rule amendment, which was approved by the Commission on February 12, 2026,²³ and became effective March 30, 2026,²⁴ makes the following revisions to FINRA Rule 3220:

- raises the dollar amount of FINRA's gift limit from \$100 to \$300;
- provides FINRA the authority to grant exemptive relief from the gift limit;
- codifies certain existing FINRA guidance, including guidance regarding gifts incidental to business entertainment, valuation of gifts, aggregation of gifts, personal gifts, bereavement gifts, *de minimis* gifts and promotional or commemorative items, donations due to federally declared major disasters; and
- adopts supervision requirements and additional recordkeeping obligations.

Moreover, FINRA's gift rule amendment makes conforming changes to the gift limit with respect to FINRA Rules 2310, 2320, 2341 and 5110, on non-cash compensation.²⁵

While the MSRB has filed with the Commission this proposed rule change to harmonize MSRB Rule G-20 with FINRA Rule 3220 as amended by FINRA's gift rule amendment, significant portions of MSRB Rule G-20 would be unaffected by FINRA's gift rule amendment due to the MSRB's earlier codification into MSRB Rule G-20 the substance of certain FINRA interpretations that FINRA had not yet incorporated into FINRA Rule 3220 until FINRA's gift rule amendment.²⁶ The MSRB notes that, although FINRA's gift rule amendment provides authority for FINRA to grant exemptive relief to FINRA Rule 3220, the proposed rule change would not harmonize or align with FINRA through the inclusion of corresponding provisions, for the reasons stated below. The proposed rule change would align and harmonize both the substantive requirements, as appropriate, and the text and organization with FINRA's gift rule amendment where doing so does not negatively impact the clarity of MSRB Rule G-20.

²³ See FINRA Approval Order, *supra* note 3, 91 FR at 7570.

²⁴ See FINRA Regulatory Notice 26-05 (Feb. 27, 2026), available at <https://www.finra.org/rules-guidance/notices/26-05>.

²⁵ See FINRA Approval Order, *supra* note 3, 91 FR at 7571. FINRA's non-cash compensation provisions are codified as separate rules, while the MSRB's non-cash compensation provisions are codified within MSRB Rule G-20 (subsections G-20(g)(i)–(v)).

²⁶ See Exchange Act Release No. 52555 (Oct. 3, 2005), 70 FR 59106 (Oct. 11, 2005), File No. SR-MSRB-2005-02; Exchange Act Release No. 76381 (Nov. 6, 2015), 80 FR 70271 (Nov. 13, 2015), File No. SR-MSRB-2015-09.

Description of Proposed Rule Change

Increase in Dollar Amount of Gift Limit

FINRA Rule 3220(a) prohibits a FINRA member or person associated with a FINRA member from giving anything of value, including gratuities, in excess of \$300, which represents an increase to the dollar amount of the gift limit from \$100 to \$300 effectuated by FINRA's gift rule amendment. In determining the increase to the gift limit, FINRA calculated the average annual rate of inflation since 1992, when the limit was set at \$100.²⁷ In response to comments received by the Commission during the course of rulemaking with respect to FINRA's gift rule amendment, FINRA modified its original proposal by extrapolating this rate to account for ten years of future inflation.²⁸ FINRA stated that it believed the proposed, higher gift limit would continue to permit the exchange of business courtesies while helping to guard against excessiveness.²⁹ FINRA also articulated that a dollar limit, as opposed to, for example, a principles-based approach, would provide certainty regarding the limit for gifts and help facilitate broker-dealer compliance.³⁰ The MSRB agrees that this is an appropriate approach (*i.e.*, a stated dollar limit) in modernizing the MSRB's gift limit under MSRB Rule G-20.

Thus, the proposed rule change would increase the gift limit under MSRB Rule G-20(c) from \$100 to \$300, matching the increased limit under FINRA's gift rule amendment.³¹ MSRB Rule G-20 has maintained a \$100 gift limit since the late 1970s, in service of a purpose substantively the same as the purpose of FINRA Rule 3220.³² The proposed rule change would

²⁷ See Exchange Act Release No. 103226 (June 11, 2025), 90 FR 25674, 25675 (June 17, 2025), File No. SR-FINRA-2025-003 ("FINRA Filing").

²⁸ See Exchange Act Release No. 103958 (Sept. 12, 2025), 90 FR 44855, 44856 (Sept. 17, 2025), File No. SR-FINRA-2025-003 ("Amendment 1").

²⁹ FINRA Filing, *supra* note 27, 90 FR at 25675.

³⁰ *Id.*

³¹ Proposed amendment to Rule G-20(c), mirroring FINRA Rule 3220(a).

³² Compare MSRB Rule G-20(a) ("The purpose of this rule is to maintain the integrity of the municipal securities market and to preserve investor and public confidence in the municipal securities market, including the bond issuance process. The rule protects against improprieties and conflicts of interest that may arise when regulated entities or their associated persons give gifts or gratuities in relation to the municipal securities or municipal advisory activities of the recipients' employers."), with Amendment 1, *supra* note 28, 90 FR at 44855 ("[FINRA Rule 3220] is designed to avoid improprieties, such as conflicts of interest, that may arise when a [FINRA] member or associated person makes a gift to an employee of another person, such as an institutional customer, vendor, or counterparty with the hope of strengthening the business relationship with them.") (internal reference omitted).

also mirror FINRA’s gift rule amendment by making a conforming amendment to MSRB Rule G-20(g)(i), increasing the dollar amount of the gift limit in relation to non-cash compensation from \$100 to \$300.³³

Amendments to Harmonize With New Supplementary Material to FINRA Rule 3220

FINRA previously issued guidance and interpretations regarding the application of FINRA gifts rules in specific contexts. FINRA’s gift rule amendment incorporates and substantially codifies such guidance and interpretations into supplementary material to FINRA Rule 3220. As noted above, many of the interpretations, now codified as FINRA supplementary material, were incorporated into MSRB Rule G-20 by way of past filings. As a result, the proposed rule change does not require significant wholesale changes to Rule G-20 to achieve harmony with those specific FINRA supplementary materials. In contrast, some new FINRA supplementary materials impose requirements not currently found under MSRB Rule G-20, and the proposed rule change contains corresponding proposed amendments. The proposed rule change’s treatment of each topic is detailed below.

Gifts Incidental to Business Entertainment or Normal Business Dealings

FINRA’s interpretive guidance did not expressly exclude from its gift limit gifts given during the course of a business entertainment event, so FINRA sought to clarify that a gift given during the course of a business entertainment event would be subject to the \$300 limit on gifts unless one of the requisite exclusions apply (i.e., the gift given is a personal gift, of *de minimis* value, or a promotional/commemorative item). FINRA’s Rule 3220.01 expressly states that, unless a gift qualifies as a personal gift under FINRA Rule 3220.04 or as a gift of *de minimis* value or a promotional or commemorative item under FINRA Rule 3220.06, a gift given during a business entertainment event would be subject to the \$300 gift limit and to the rule’s recordkeeping requirements.³⁴ In its filing, FINRA further clarified the obligation under FINRA Rule 3220.06 through an example—gifts of clothing or electronics at a business entertainment event would be subject to its gift limit. However, pens or note pads of *de minimis* value given during such business entertainment would not be subject to the gift limit provided the item meets the requirements of 3220.06.³⁵

MSRB Rule G-20(d) lists gifts that are not subject to the gift limit, including, among other things, “normal business dealings” as described in MSRB Rule G-20(d)(i). The term normal business dealings refers to 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

³³ Proposed amendment to Rule G-20(g)(i), mirroring FINRA non-cash compensation rules referenced above (supra note 25).

³⁴ The cost of the business entertainment event itself would not be included in the value of the gift. FINRA Filing, supra note 27, 90 FR at 25676.

³⁵ See FINRA Filing, supra note 27, 90 FR at 25675–76.

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. The concept of normal business dealings included in MSRB Rule G-20 effectively includes what is referred to in FINRA Rule 3220 as “business entertainment.”

While MSRB Rule G-20 currently makes clear that normal business dealings should not be so frequent or so extensive as to raise any questions of propriety, the rule does not expressly state that gifts given in the course of normal business dealings that are not among the types of gifts excepted by the rule from the gift limit (e.g., gifts that are not personal, *de minimis* or promotional in nature, as further described below) would themselves be subject to the gift limit.

The proposed rule change would amend subsection G-20(d)(i), which addresses normal business dealings (including occasional gifts of meals or tickets to theatrical, sporting, and other entertainments that are hosted by the regulated entity or its associated persons), by adding language to explicitly state that a gift given during the course of a normal business dealing is subject to the \$300 gift limit unless it qualifies for certain other exceptions prescribed under Rule G-20(d)³⁶ for gifts and gratuities not subject to the gift limit.³⁷ This language would align closely with FINRA Rule 3220.01.

Valuation of Gifts³⁸

FINRA Rule 3220.02, as amended by FINRA’s gift rule amendment, requires that gifts (other than tickets to sporting or other events) be valued at cost, exclusive of tax and delivery charges. This differs from FINRA’s previous interpretive guidance, which required that gifts be valued at the higher of either cost or market value. In adopting FINRA’s gift rule amendment, FINRA stated that it believes that this deviation from existing guidance is justified because the difficulty and burdensome nature of determining the market value would result in complexity and subjectivity in the valuation that would outweigh any benefit.³⁹ Otherwise, FINRA Rule 3220.02 codifies FINRA guidance and interpretations by requiring the use of the higher of cost or face value when valuing tickets to sporting or other events, and by requiring that if gifts are given to multiple recipients, firms should record the names of each recipient and calculate and

³⁶ These exceptions would be limited to transaction-commemorative gifts, *de minimis* gifts, promotional gifts and personal gifts. See MSRB Rules G-20(d)(ii)–(iv), (vi), respectively.

³⁷ See the final sentence of proposed MSRB Rule G-20(d)(i), mirroring FINRA Rule 3220.01.

³⁸ Note that the gifts discussed in this section would not ordinarily be considered normal business dealings, as discussed above, since the gifts discussed in this section are not meals or tickets to other events hosted by the regulated entity as legitimate business functions. See “Gifts Incidental to Business Entertainment or Normal Business Dealings,” supra.

³⁹ See FINRA Filing, supra note 27, 90 FR at 25676.

record the value of the gift on a pro rata per recipient basis for purposes of ensuring compliance with the gift limit.⁴⁰

Current Supplementary Material .01 of MSRB Rule G-20 largely mirrors the requirements of FINRA Rule 3220.02⁴¹ with the exception of the change specific to the valuation of gifts. The proposed rule change would amend this supplementary material to harmonize with FINRA Rule 3220.02 to value gifts at cost with the exception of tickets to sporting or other events, which as previously mentioned would continue to be valued at the higher of cost or face value.⁴²

Aggregation of Gifts

FINRA Rule 3220.03 requires the aggregation of all gifts given by its members and each associated person of its members to a particular recipient over the course of the year, and for its members to state in their procedures whether they are aggregating all gifts given on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any particular recipient. FINRA Rule 3220.03 also states that it does not apply to gifts that meet the requirements of certain other provisions of FINRA's gift rule amendment (*i.e.*, personal gifts, *de minimis* gifts, promotional or commemorative items).

The requirement to aggregate all gifts given and in a consistent manner over the course of a year aligns with existing Supplementary Material .02 of MSRB Rule G-20, on aggregations of gifts; however, Supplementary Material .02 of MSRB Rule G-20 does not currently require regulated entities' policies and procedures to state the requisite time frame over which all gifts would be aggregated. Therefore, the proposed rule change would make conforming changes by expressly stating within Supplementary Material .06, on supervision and recordkeeping, that regulated entities' procedures must state the requisite time frame for the aggregation (*i.e.*, calendar year, fiscal year, or rolling basis).⁴³ The proposed rule change would further align and

⁴⁰ Id.

⁴¹ Proposed Supplementary Material .01, mirroring FINRA Rule 3220.02, would include minor, non-substantive changes to the title: "Valuations of Gifts" to "Valuation of Gifts." The non-substantive changes add clarity, improve organization and highlight parallels with FINRA Rule 3220.02.

⁴² See Proposed Supplementary Material .01 of MSRB Rule G-20. While the MSRB acknowledges the rationale for the change as articulated by FINRA with respect to the difficulty in discerning the market value of gifts, the MSRB reminds regulated entities that MSRB Rule G-20(d) provides that gifts otherwise excepted from the gift limit under section (d) must not give rise to any apparent or actual material conflict of interest, and that the principles of fair dealing under MSRB Rule G-17 also may apply, as described above. See supra note 21 and accompanying text.

⁴³ The requisite time frame for the aggregation of gifts has been expressly incorporated into Proposed Supplementary Material .06, on supervision and recordkeeping, which is

harmonize with FINRA Rule 3220.03 by explicitly stating that the aggregation requirements do not apply to gifts that meet the requirements of section (d) and that are consistent with the requirements of Supplementary Materials .03 and .05 of MSRB Rule G-20 (i.e., transaction-commemorative/promotional gifts, *de minimis* gifts, bereavement gifts, personal gifts and donations due to federally declared major disasters).⁴⁴ The MSRB believes that operationalizing the aggregation of gifts and gratuities would be aided by policies and procedures that address the time frame for such aggregation.

Personal Gifts

FINRA Rule 3220.04, on personal gifts, states that 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 gift limit restrictions in FINRA Rule 3220(a) or the recordkeeping requirements in FINRA Rule 3220(c), provided the gifts are customary and reasonable, personal in nature, and not in relation to the business of the employer of the recipient.⁴⁵ In determining whether a gift is personal in nature and not in relation to the business of the employer of the recipient, 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 should be considered. FINRA Rule 3220.04 also states that when its member bears the cost of a gift, either directly or by reimbursing an associated person, there is a presumption that the gift is not personal in nature and instead is in relation to the business of the employer of the recipient.

The proposed rule change would amend MSRB Rule G-20(d)(vi) by adding language that would explicitly require personal gifts to be reasonable and customary. The MSRB believes that the combination of the amended text of subsection G-20(d)(vi), which would provide an exception for personal gifts and brief definition of the same, and the corresponding Supplementary Material,⁴⁶ which provides additional clarification regarding the nature of personal gifts and the exception for such gifts, would substantively align with the requirements

discussed below, due to the logical nature and fit of such policies and procedure requirement.

⁴⁴ Proposed Supplementary Material .02, mirroring FINRA Rule 3220.03. Proposed Supplementary Material .02 would also include minor non-substantive changes to the title: “Aggregations of Gifts” to “Aggregation of Gifts.” The non-substantive changes add clarity, improve organization and highlight parallels with FINRA Rule 3220.03.

⁴⁵ FINRA has noted that the exception for personal gifts would not apply to gifts given for events that occur frequently, or even annually, such as birthdays. See FINRA Filing, supra note 27, 90 FR at 25682.

⁴⁶ Proposed Supplementary Material .03 is renumbered from Supplementary Material .04 of MSRB Rule G-20. This Supplementary Material is substantively the same as current Supplementary Material .04.

of FINRA Rule 3220.04.⁴⁷ To harmonize with the recordkeeping exception of FINRA Rule 3220.04, the proposed rule change would add language within new Supplementary Material .06, on supervision and recordkeeping requirements, stating that personal gifts are not subject to the recordkeeping requirements under MSRB Rule G-8(h)(ii) by way of incorporation into Supplementary Material .06 of MSRB Rule G-20.

Bereavement Gifts

FINRA Rule 3220.05, on bereavement gifts, states that such 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 gift limit. FINRA had long considered bereavement gifts to be a type of personal gift because bereavement gifts are given for infrequent life events. However, commenters raised concerns about treating bereavement gifts as a type of personal gift. In response, FINRA adopted 3220.05 to separate the supplementary material from that on personal gifts.

MSRB Rule G-20(d)(v) states that bereavement gifts that are reasonable and customary for the circumstances are not subject to the gift limit provided they do not give rise to any apparent or actual material conflict of interest.⁴⁸ To further align and harmonize with FINRA's gift rule amendment, the proposed rule change would amend subsection (d)(v) of MSRB Rule G-20 by adding language explicitly stating that bereavement gifts are not considered to be in relation to the business of the employer of the recipient.⁴⁹ The proposed rule change would also add language within new Supplementary Material .06, on supervision and recordkeeping requirements, stating that bereavement gifts are not subject to the recordkeeping requirements under MSRB Rule G-8(h)(ii) by way of incorporation into Supplementary Material .06 of MSRB Rule G-20. The MSRB believes that clarification on the exclusions under MSRB Rule G-20 will assist regulated entities in achieving compliance objectives.

De Minimis Gifts and Promotional Gifts or Commemorative Items

FINRA Rule 3220.06(a) provides that gifts of *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 excepted from FINRA Rule 3220's gift limit and the recordkeeping requirements under the rule, if the value of such gift or item is substantially below the \$300 gift limit. FINRA Rule 3220.06(b) provides an exception from the gift limit and

⁴⁷ In addition, the MSRB agrees with FINRA's assessment that the exception for personal gifts would not apply to gifts given for events that occur frequently, or even annually, such as birthdays.

⁴⁸ See MSRB Rule G-20(d)(v). The material conflict of interest caveat applies to all exceptions under MSRB Rule G-20(d).

⁴⁹ Proposed MSRB Rule G-20(d)(v), harmonizing with FINRA Rule 3220.05.

recordkeeping requirements for customary and reasonable solely decorative items commemorating a business transaction. FINRA noted it did not believe it was necessary to explicitly limit the value of customary commemorative items because such items must be solely decorative. Thus, the restrictions under FINRA Rule 3220(a) would apply where the item is not solely decorative, irrespective of whether the item was intended to commemorate a business transaction.⁵⁰

MSRB Rule G-20(d)(ii)–(iv) already provides corresponding exceptions to the gift limit for gifts of *de minimis* value (e.g., pens, notepads or modest desk ornaments),⁵¹ promotional items of nominal value displaying the regulated entity’s corporate or other business logo (provided that the value be substantially below the \$100 general gift limit),⁵² and gifts that are solely decorative items commemorating a business transaction, such as a customary plaque or desk ornament (e.g., Lucite tombstone).⁵³ To fully align these provisions with FINRA’s gift rule amendment, the proposed rule change would amend MSRB Rule G-20(d)(iii) by adding a sentence explicitly stating that the value of a gift must be substantially below the \$300 gift limit for such gift to be considered of *de minimis* value, and amend MSRB Rule G-20(d)(iv) to change the gift limit from \$100 to \$300 and add parenthetical examples of promotional gifts (e.g., umbrellas, tote bags, or shirts).⁵⁴ In conforming with FINRA’s gift rule amendment, the proposed rule change would add language to new Supplementary Material .06, on supervision and recordkeeping, stating that personal gifts are not subject to the recordkeeping requirements under MSRB Rule G-8(h)(ii) by way of incorporation into Supplementary Material .06 of MSRB Rule G-20. In addition, the proposed rule change would renumber Supplementary Material .03, on promotional gifts and “other business logo,” to Supplementary Material .04.

Donations Due to Federally Declared Major Disasters

FINRA Rule 3220.07 codifies FINRA interpretive guidance stating that donations to an employee of an institutional customer to provide assistance to an individual in connection with a federally declared major disaster, such as a wild fire, hurricane, tornado, earthquake, or flood, are

⁵⁰ FINRA expressed for example, providing an employee of an organization with elaborate electronic equipment following the closing of a transaction would be subject to the gift limit. See FINRA Filing, *supra* note 27, 90 FR at 25677.

⁵¹ See MSRB Rule G-20(d)(iii).

⁵² See MSRB Rule G-20(d)(iv). See also Proposed Supplementary Material .04 of MSRB Rule G-20 (providing additional clarity regarding the nature of promotional items and other business logos). Proposed Supplementary Material .04 is substantively the same as current Supplementary Material .03.

⁵³ See MSRB Rule G-20(d)(ii).

⁵⁴ The proposed rule change would amend MSRB Rule G-20(d)(iv), to mirror FINRA Rule 3220.06, by updating the gift limit to \$300 and by adding parenthetical examples of promotional gifts. As previously noted, the rule is consistent in all other respects.

not considered to be in relation to the business of the employer of the recipient and are therefore not subject to the gift limit. The proposed rule change would add Supplementary Material .05 of MSRB Rule G-20 and would directly mirror FINRA Rule 3220.07.⁵⁵ The MSRB agrees with FINRA that such donations are not in relation to the business of the employer of the recipient, and therefore, should be excluded from the gift limit and recordkeeping requirements under MSRB Rule G-8(h)(ii).

Supervision and Recordkeeping

Citing FINRA Rule 3110, on supervision, FINRA Rule 3220.08 requires a supervisory system that is reasonably designed to achieve compliance with Rule 3220.⁵⁶ Specifically, FINRA Rule 3220.08 requires FINRA members 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 firm and its associated persons to employees of another person are: (1) reported to the firm; (2) reviewed for compliance with Rule 3220; and (3) maintained in the firm's records.⁵⁷ FINRA Rule 3220.08 also requires procedures reasonably designed to ensure that the person giving a gift or gratuity is not the same person responsible for determining whether that gift or gratuity is related to the business of the recipient's employer. Finally, this provision restates that gifts described in FINRA Rule 3220.04, on personal gifts, FINRA Rule 3220.05, on bereavement gifts, FINRA Rule 3220.06, on *de minimis* gifts and promotional or commemorative items,⁵⁸ and FINRA Rule 3220.07, on donations due to federally declared major disasters, are not subject to the recordkeeping requirements of the rule.⁵⁹

The proposed rule change would add new Supplementary Material .06, on supervision and recordkeeping, that substantively aligns with FINRA Rule 3220.08 by mirroring the language that clarifies the nature of the requirements necessary to achieve compliance with the rule.⁶⁰ The supervisory requirements expressly state that procedures must be reasonably designed to ensure that the person giving the gift or gratuity is not the same person responsible for determining whether the gift or gratuity is in relation to the business of the recipient's employer.

⁵⁵ Proposed Supplementary Material .05, to mirror FINRA Rule 3220.07.

⁵⁶ Amendment 1, supra note 28, 90 FR at 44858.

⁵⁷ Id.

⁵⁸ FINRA has previously stated that its gift rule does not apply to gifts of *de minimis* value (e.g., pens, notepads or modest desk ornaments). See NASD Notice to Members 06-69, NASD Issues Additional Guidance on Rule 3060 (Influencing or Rewarding Employees of Others) (Dec. 4, 2006), available at <https://www.finra.org/rules-guidance/notices/06-69>.

⁵⁹ Id.

⁶⁰ Proposed Supplementary Material .06, to mirror FINRA Rule 3220.08.

However, this provision does not account for the uniqueness of the regulatory framework for small municipal advisors. The proposed rule change caveats this supervisory requirement by permitting municipal advisors to carry out their compliance obligation in accordance with Supplementary Material .03 of Rule G-44.⁶¹ Additionally, the proposed rule change adds language to clarify that 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 of this rule. The MSRB believes aligning the substantive provisions that directly address the standards necessary to achieve compliance is the most direct way to promote regulatory harmonization and reduce compliance burdens for firms subject to the rules of multiple regulators.

The recordkeeping requirements would not apply to normal business dealings, *de minimis* gifts, promotional or commemorative items, personal gifts, bereavement gifts or donations due to federally declared major disasters⁶² because such gifts, by their very nature, should be infrequent or customary and reasonable for the circumstances, depending on the nature of the gift in question. Although the MSRB is not requiring records to be made and maintained related to normal business dealings, the MSRB notes that regulated entities may determine to implement recordkeeping requirements in this area as part of their supervisory system to achieve compliance with the MSRB's gift rule. The MSRB believes that a principles-based approach to recordkeeping requirements for normal business dealings is a more prudent approach given the application to both dealers and municipal advisors, and additional, potentially unnecessary, administrative costs associated with making and maintaining such records. As such, regulated entities should decide whether records should be made and maintained, based on the facts and circumstances specific to any given normal business dealing. The MSRB notes that regulated entities should make such determination in the context of their overall supervisory obligations and in ensuring their supervisory system is reasonably designed to achieve compliance with MSRB rules and other applicable securities laws and regulations.

Gifts to a Regulated Entity's Associated Persons or Individual Retail Investors

FINRA Rule 3220.09 states that FINRA Rule 3220 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." Although the substance of this provision was already implied by the text of FINRA Rule 3220, FINRA added Rule 3220.09 to clarify and improve awareness and understanding of the scope of FINRA's gift rule amendment.⁶³ The proposed rule change would

⁶¹ Pursuant to Supplementary Material .03 of MSRB Rule G-44, a municipal advisor is permitted to tailor its written supervisory procedures based on, among other things, an advisor's size.

⁶² Proposed Supplementary Material .05, to mirror FINRA Rule 3220.07.

⁶³ See FINRA Approval Order, supra note 3, 91 FR at 7574.

add new Supplementary Material .07 to MSRB Rule G-20 directly mirroring FINRA Rule 3220.09.⁶⁴

Minor Technical Language Changes

Finally, the proposed rule change would make a limited number of non-substantive technical changes to rule language to improve consistency and clarity. Current rule language inconsistently refers to sections of MSRB Rule G-20 and its Supplementary Materials; the proposed rule change would correct these inconsistencies. In addition, the proposed rule change would make a technical amendment to renumber existing Supplementary Material .05, on applicability of state or other laws, to Supplementary Material .08.

Provision from FINRA’s Gift Rule Amendment Omitted from Proposed Rule Change

FINRA’s gift rule amendment includes a new section within Rule 3220,⁶⁵ which authorizes FINRA staff, pursuant to the FINRA Rule 9600 series, to conditionally or unconditionally grant an exemption from any provision of FINRA Rule 3220 for good cause shown, after taking into account all relevant factors and provided that such exemption is consistent with the purposes of FINRA Rule 3220, the protection of investors, and the public interest.⁶⁶

The proposed rule change does not include a corresponding amendment to MSRB Rule G-20 due to the unique regulatory structure under Section 15B of the Exchange Act,⁶⁷ which requires the MSRB to undertake rulemaking responsibilities while assigning examination and enforcement authority to other regulators such as the Commission, FINRA and the federal banking regulators. Any amendment to MSRB Rule G-20 to permit regulated entities to seek exemptive relief would require a regulated entity to submit its request to the appropriate regulator (i.e., not the MSRB) for consideration and potential exemptive action under that regulator’s procedures. At such time as the appropriate regulators have processes in place, or agree to put such processes in place, to potentially receive, review and act on any such exemptive requests, the MSRB could consider whether to adopt a further provision to MSRB Rule G-20 to institute a similar exemptive relief mechanism.

Operative and Compliance Dates

As previously mentioned, the operative date for the proposed rule change would be June 1, 2026, for dealers that are FINRA members. However, a separate compliance date of December

⁶⁴ Proposed Supplementary Material .07, to mirror FINRA Rule 3220.09.

⁶⁵ FINRA Rule 3220(d).

⁶⁶ Id.

⁶⁷ 15 U.S.C. 78o-4.

1, 2026, would apply for all municipal advisors as well as bank dealers with respect to the proposed rule change. Until such compliance date for municipal advisors and bank dealers, such regulated entities would be subject to the existing provisions of MSRB Rule G-20, including, but not limited to, the gift limit (i.e., \$100 limit per person per year) and overarching supervisory and recordkeeping requirements, as applicable.

The delayed compliance date for all municipal advisors and bank dealers is designed to provide such regulated entities sufficient time to revise their policies and procedures and their recordkeeping and related processes to ensure efficient and effective compliance with the new requirements of the proposed rule change without creating unnecessary burdens or disruption. While FINRA member firms should have come into compliance with the comparable policies and procedures under FINRA Rule 3220 in connection with their other securities market activities, non-dealer municipal advisors, as well as bank dealers, would need time to make any necessary changes.

Exchange Act Section 15B(b)(2)(L)(iv) directs the MSRB to adopt rules with respect to municipal advisors that do not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.⁶⁸ In response to a request for information published by the MSRB in 2023 seeking input on the impacts of MSRB rules on small firms (the “Small Firm RFI”),⁶⁹ one commenter noted “[m]any firms do seek outside counsel or compliance professionals to assist with their compliance programs. These costs may represent the price of doing business, but place greater financial and administrative burdens on smaller firms. The cost of external compliance review and/or development and maintenance of written supervisory procedures (‘WSP’)/policies and procedures, etc., are typically not based on the size of the firm, but rather a fixed cost to firms. That proportionately places greater costs on small firms.”⁷⁰ This commenter also asked that the MSRB confer with small municipal advisors to discuss how small municipal advisors “approach reviewing new/updated rules, making changes to their WSPs, and implementing compliance and supervisory procedures.”⁷¹

Focusing across both dealer and municipal advisor firms, another commenter on the Small Firm RFI “... urge[d] the Board to consider how its potential rule changes would affect all market participants, including smaller BDs, and to write rules which do not impose unreasonable

⁶⁸ 15 U.S.C. 78o-4(b)(2)(L)(iv).

⁶⁹ MSRB Notice 2023-11, Request for Information on Impacts of MSRB Rules on Small Firms (Dec. 4, 2023), available at <https://www.msrb.org/sites/default/files/2023-12/2023-11.pdf>.

⁷⁰ See Letter from Susan Gaffney, Executive Director, National Association of Municipal Advisors, p. 2 (Feb. 26, 2024), available at <https://www.msrb.org/sites/default/files/2024-02/NAMAsmallfirmFEB2024.pdf>.

⁷¹ Id. at 4.

compliance standards on any market participant, big or small. This is especially important with respect to implementation periods for regulatory changes. In many cases, it may reasonably take smaller firms more time to implement rule changes than larger firms due to fewer resources available for the task. We urge the Board to consider the effects of its rule amendments on those firms that would be particularly challenged and to gauge implementation times to ensure all firms are able to be fully compliant on a rule's effective date."⁷²

The MSRB believes that providing additional time to come into compliance with the new supervisory and recordkeeping requirements in the proposed rule change is responsive to these concerns and suggestions.

(b) Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act,⁷³ which provides that the MSRB's rules shall be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

In accordance with Section 15B(b)(2)(C) of the Exchange Act,⁷⁴ the proposed rule change is designed to prevent fraudulent and manipulative acts and practices. Although the proposed rule change would increase the gift limit, it continues to protect investors and preserve public confidence in the municipal securities market because the proposed rule change would also put into place additional provisions strengthening supervision and recordkeeping requirements designed to prevent fraudulent acts and manipulative practices.⁷⁵ For example, the proposed rule change would require policies and procedures to be reasonably designed to ensure that the associated person giving a gift is not also the person responsible for the determination of whether the gift in question is in relation to the municipal securities or municipal advisory activities of the employer of the gift's recipient. Not only is the proposed rule change consistent with the explicit purpose of MSRB Rule G-20, but also increased harmonization with the corresponding FINRA provisions is intended to provide a practical and balanced way for

⁷² See Letter from Michael Decker, Senior Vice President, Bond Dealers of America, p.2 (Feb. 26, 2024), available at <https://www.msrb.org/sites/default/files/2024-02/BDA-Notice-2023-11.pdf>.

⁷³ 15 U.S.C. 78o-4(b)(2)(C).

⁷⁴ Id.

⁷⁵ MSRB Rule G-20(a) (stating that the purpose of MSRB Rule G-20 is to preserve investor and public confidence in the municipal securities market, including the bond issuance process).

regulated entities to continue effectively meeting the core regulatory obligation to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable MSRB rules, which directly serves investor protection. Furthermore, the proposed rule change clarifies the supervisory obligations of regulated entities and provides greater flexibility to design and implement necessary policies and procedures.

By aligning the requirements of MSRB Rule G-20 with FINRA's gift rule amendment, the proposed rule change promotes just and equitable principles of trade by ensuring all regulated entities are subject to the same regulatory standard under both FINRA and MSRB rules. This regulatory consistency would allow regulated entities that are subject to FINRA and MSRB rules to more efficiently design and implement policies and procedures to ensure compliance with both MSRB Rule G-20 and with FINRA's gift rule amendment without the burden or confusion of differing regulatory requirements. The MSRB believes that the proposed rule change would alleviate some of the operational challenges regulated entities would otherwise experience due to regulatory uncertainty—regulated entities would be able to more effectively allocate resources to the operations that facilitate transactions in municipal securities, and thereby, removing impediments to a free and open market.

Finally, aligning MSRB Rule G-20 with FINRA's gift rule amendment fosters cooperation between regulators because it creates as close as possible a uniform standard, with minimal distinction needed between the treatment of municipal securities and other asset classes, enabling FINRA and the Commission to more efficiently inspect regulated entities subject to the rules of both self-regulatory organizations.

In addition, Section 15B(b)(2)(L)(iv) of the Exchange Act provides that MSRB rules may not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons provided that there is robust protection of investors against fraud.⁷⁶ While the proposed rule change would burden some small municipal advisors, the MSRB believes that any such burden is outweighed by the need to maintain the integrity of the municipal securities market by extending to municipal advisors the same regulatory obligations by which dealers have to operate with respect to the protection of investors and the public interest. The MSRB believes that clarifying the narrow exclusions to the gift limit would reduce the chances of potential violations of the public trust by having rules of the road on how municipal advisors engage with elected officials and other market participants involved in the issuance of municipal securities. Moreover, municipal advisors having to state in their procedures whether they are aggregating all gifts on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any particular recipient ensures gifts are not given so frequently that they unduly influence the awarding of municipal advisor business. Finally, both the delayed compliance date for proposed Supplementary Material .06 with respect to supervisory and recordkeeping requirements and the exception for municipal advisors to certain supervisory requirements via reliance on Supplementary Material .03 of MSRB Rule G-44 would serve to reduce the regulatory burden on

⁷⁶ 15 U.S.C. 78o-4(b)(2)(L)(iv).

small municipal advisors in a manner consistent with Section 15B(b)(2)(L)(iv) of the Exchange Act.⁷⁷

The MSRB also believes that the proposed rule change is consistent with Section 15B(b)(2)(G) of the Exchange Act,⁷⁸ which provides that the MSRB's rules shall prescribe records to be made and kept by municipal securities brokers, municipal securities dealers, and municipal advisors and the periods for which such records shall be preserved. The MSRB believes that the proposed rule change related to recordkeeping requirements under MSRB Rule G-20 coupled with existing obligations under MSRB Rule G-8 would promote compliance with and facilitate enforcement of the proposed rule change by clarifying the records that must be preserved. The proposed rule change would also improve recordkeeping by specifying that gifts that are normal business dealings, *de minimis* gifts, promotional or commemorative items, personal gifts, bereavement gifts or donations due to federally declared major disasters are not subject to the recordkeeping requirements.

4. Self-Regulatory Organization's Statement on Burden on Competition

Section 15B(b)(2)(C) of the Exchange Act⁷⁹ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. In addition, Section 15B(b)(2)(L)(iv) of the Exchange Act⁸⁰ provides that MSRB rules may not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons provided that there is robust protection of investors against fraud. In determining whether the standards have been met, the MSRB was guided by the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking.⁸¹ In accordance with this policy,

⁷⁷ Id.

⁷⁸ 15 U.S.C. 78o-4(b)(2)(G).

⁷⁹ 15 U.S.C. 78o-4(b)(2)(C).

⁸⁰ 15 U.S.C. 78o-4(b)(2)(L)(iv).

⁸¹ See Policy on the Use of Economic Analysis in MSRB Rulemaking, available at <https://www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking>. In evaluating whether there was any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act, the MSRB was guided by its principles that required the MSRB to consider costs and benefits of a rule change, its impact on efficiency, capital formation and competition, and the main reasonable alternative regulatory approaches. For those rule changes which the MSRB files for immediate effectiveness under Section 19(b)(3)(A) of the Exchange Act (15 U.S.C. 78s(b)(3)(A)), including information facility rule filings, while not subject to the policy, the MSRB usually focuses its examination exclusively on the burden of competition on regulated entities, but may also include any additional economic analysis that the MSRB believes may inform the rulemaking process based on the facts and circumstances.

the MSRB evaluated the potential impacts on competition of the proposed rule change and believes that the proposed rule change would not impose any unnecessary or inappropriate burden on competition, as the proposed rule change would align with the newly approved amendments to FINRA Rule 3220, on influencing or rewarding employees of others. In addition, the proposed rule change would be applied equally to all regulated entities (*i.e.*, dealers and municipal advisors).

Based on the MSRB's analysis, the potential benefits of the proposed rule change would outweigh the potential costs of the change. The proposed rule change benefits dealers by aligning the gift limit in MSRB Rule G-20 with FINRA Rule 3220 that accounts for past and future inflationary increases. This consistency supports the development of uniform compliance processes and systems across both MSRB-regulated entities and FINRA-member firms. Currently, the \$100 gift limit in MSRB Rule G-20 was established in 1978 by the MSRB and by FINRA in 1992 without accounting for the inflation rate. The proposed amendments ensure that the gift limit remains the same between corresponding MSRB and FINRA rules to reduce unnecessary compliance burdens for firms. If the MSRB and FINRA maintained differing gift limits it may needlessly complicate and confuse the gifting process. In addition, the proposed rule change would increase the gift limit from \$100 to \$300 which would benefit regulated entities that engage in gift giving as part of the process to develop relationships and goodwill while also maintaining the protections for investors and public interest. Additionally, to align with the FINRA Rule 3220 changes when necessary, the proposed rule change includes supplementary material regarding gifts incidental to business entertainment, donations due to federally declared major disasters, supervision and recordkeeping and gifts to associated persons or individual retail customers.

The MSRB acknowledges that regulated entities would likely incur minor costs because of the proposed rule change, relative to the baseline state (current state). Regulated entities would be expected to incur one-time, upfront costs related to revising policies and procedures and training. The MSRB expects the proposed rule change to cost regulated entities \$4,229 as a one-time, upfront cost to review and implement the changes along with any needed staff training.⁸²

⁸² The MSRB estimates three hours for a compliance manager at \$393 per hour (3 X \$393 = \$1,179) to revise the firm policies and procedures, and one hour for in-house compliance counsel to review and edit any changes as needed (1 X \$463 = \$463). Staff also anticipates review by an outside legal counsel at \$630 per hour (1 X \$630 = \$630), review and sign off by a director of compliance at \$610 per hour (1 X \$610 = \$610), General Counsel at \$780 per hour (0.5 X \$780 = \$390) and the chief compliance officer at \$693 per hour (0.5 X \$693 = \$347). Lastly, staff anticipates one hour of training and education conducted by the director of compliance at \$610 per hour (1 X \$610 = \$610). Therefore, staff estimates that the total upfront costs would be \$4,229 (\$1,179 + \$463 + \$630 + \$610 + \$390 + \$347 + \$610 = \$4,229).

The hourly-rate data is gathered from a variety of Commission filings compiled by the MSRB for usage in economic analysis. The Commission's economic analysis utilizes the Securities Industry and Financial Markets Association's "Management & Professional Earnings in the Securities Industry—2013 Report" for the hourly rates of various financial industry market professionals. To compensate for inflation, the data reflects the

The MSRB does not expect any material incremental ongoing costs for compliance-related tasks, including recordkeeping.

Effect on Competition, Efficiency and Capital Formation

The MSRB believes that the proposed rule change would neither impose a burden on competition nor hinder capital formation, as the proposed rule change is applicable to all regulated entities and the ongoing costs should be proportional to entity size, and the upfront costs are relatively minor for all regulated entities. The proposed amendments to MSRB Rule G-20 would improve the municipal securities market's operational efficiency and promote regulatory harmony with FINRA's gift rules. At present, the MSRB is unable to quantitatively evaluate the magnitude of the efficiency gains or losses but believes the benefits from mostly aligning MSRB Rule G-20 with FINRA Rule 3220 would outweigh the upfront costs of revising policies and procedures, as well as the ongoing compliance and recordkeeping costs to regulated entities. The MSRB recognizes that small dealers, municipal advisors and especially sole proprietors may not employ full-time compliance staff and that the overall cost of ensuring compliance with the requirements of the proposed rule change may be proportionally higher for these smaller firms. Still, the MSRB expects the upfront costs to be minor for all firms and the ongoing costs should be proportional to the size of each regulated entity.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received on the proposed rule change.⁸³

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The MSRB has designated the proposed rule change as being immediately effective upon filing pursuant to Section 19(b)(3)(A) of the Exchange Act⁸⁴ and paragraph (f)(6) of Rule 19b-4

2025 hourly rate level after adjusting for the annual cumulative wage inflation rate of 47.3% between 2013 and 2025. See The Federal Reserve Bank of St. Louis Employment Cost Index: Wages and Salaries: Private Industry Workers, available at <https://fred.stlouisfed.org/series/ECIWAG>. The MSRB estimates the number of hours for each task based on MSRB's consultation with regulated entities' compliance officers.

⁸³ Comments received in response to FINRA's gift rule amendment can be found at <https://www.sec.gov/comments/sr-finra-2025-003/srfinra2025003.htm>.

⁸⁴ 15 U.S.C. 78s(b)(3)(A).

thereunder.⁸⁵ The proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) by its terms, become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest.

In accordance with Rule 19b-4(f)(6),⁸⁶ the MSRB provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing the proposed rule change, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Exchange Act.⁸⁷

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on, and materially conforms with, the Commission's approval of FINRA's amendments to FINRA Rule 3220,⁸⁸ on influencing or rewarding employees of others, as filed in SR-FINRA-2025-003. The proposed rule change would (i) increase the gift limit from \$100 to \$300 per person per year; (ii) address how gifts incidental to normal business dealings should be treated; (iii) revise valuation and aggregation requirements; (iv) codify additional exceptions to which the gift limit and recordkeeping requirements do not apply; (v) establish additional supervision and recordkeeping requirements; and (vi) clarify that the rule does not apply to gifts from a regulated entity to its own associated persons or to individual retail customers. The proposed rule change would also make technical amendments to renumber certain Supplementary Materials for simplicity and better organization. Item 3 describes in greater specificity the changes noted above to align with FINRA Rule 3220.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Exchange Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

⁸⁵ 17 CFR 240.19b-4(f)(6).

⁸⁶ Id.

⁸⁷ 17 CFR 240.19b-4(f)(6)(iii).

⁸⁸ See FINRA Approval Order, supra note 3.

11. Exhibits

Exhibit 1 Completed Notice of Proposed Rule Change for Publication in the Federal Register

Exhibit 5 Text of Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-MSRB-2026-02)
Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Consisting of Amendments to MSRB Rule G-20 to Revise the MSRB's Gift and Gratuities Requirements to Preserve Alignment with Amendments to FINRA Rule 3220 and to Make Certain Technical Amendments

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____ the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The MSRB filed with the Commission a proposed rule change consisting of amendments to MSRB Rule G-20, on gifts, gratuities, non-cash compensation and expenses of issuance, to (i) revise the MSRB's gift and gratuities requirements for brokers, dealers, and municipal securities dealers (collectively, "dealers") and municipal advisors (together with dealers, "regulated entities") to preserve alignment with the Financial Industry Regulatory Authority ("FINRA") amendments to FINRA Rule 3220³ ("FINRA's gift rule amendment"), and (ii) make technical

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release No. 104830 (Feb. 12, 2026), 91 FR 7570 (Feb. 18, 2026), File No. SR-FINRA-2025-003 ("FINRA Approval Order"), available at <https://www.sec.gov/files/rules/sro/finra/2026/34-104830.pdf>.

amendments to renumber certain rule provisions under MSRB Rule G-20 to enhance the clarity of the rule (collectively, the “proposed rule change”).

The MSRB has designated the proposed rule change as constituting a “noncontroversial” rule change under Section 19(b)(3)(A)⁴ of the Exchange Act and Rule 19b-4(f)(6)⁵ thereunder, which renders the proposal effective upon receipt of this filing by the Commission. The operative date for the proposed rule change would be June 1, 2026, for dealers that are FINRA members. However, a separate compliance date of December 1, 2026, would apply for all municipal advisors as well as dealers that are not FINRA members (“bank dealers”)⁶ with respect to the proposed rule change. Until such compliance date for municipal advisors and bank dealers, such regulated entities would be subject to the existing provisions of MSRB Rule G-20, including, but not limited to, the gift limit (i.e., \$100 limit per person per year) and overarching supervisory and recordkeeping requirements, as applicable.

The text of the proposed rule change is available on the MSRB’s website at <https://msrb.org/2026-SEC-Filings> and at the MSRB’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

⁶ A bank dealer is defined under MSRB Rule D-8 as a municipal securities dealer which is a bank or a separately identifiable department or division of a bank.

the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The proposed rule change is intended to more closely harmonize the MSRB's provisions relating to the giving of gifts and gratuities in MSRB Rule G-20 to FINRA Rule 3220, as amended by FINRA's gift rule amendment, in furtherance of promoting greater efficiency in complying with MSRB Rule G-20 by clarifying certain regulatory obligations of regulated entities without reducing the protection of investors and the public interest and at the same time making them consistent with current FINRA Rule 3220. MSRB Rule G-20 prohibits regulated entities and their associated persons, in certain circumstances, from giving directly or indirectly any thing or service of value, including gratuities (hereinafter referred to as "gifts"), in excess of \$100 per year to any person in relation to the municipal securities or municipal advisory activities of the recipient's employer.⁷ The rule is meant to maintain the integrity of the municipal securities market, including the bond issuance process, by ensuring the prevention of improprieties and conflicts of interest that may arise associated with the giving of gifts in relation to the business of the recipient's employer.⁸

The MSRB believes the proposed rule change would enhance regulated entities' understanding of their compliance obligations under MSRB Rule G-20, including by avoiding regulatory inconsistency in the application of MSRB and FINRA rules with respect to dealers that are FINRA members. To that end, the MSRB is proposing to amend MSRB Rule G-20,

⁷ MSRB Rule G-20 does not apply to gifts given by a regulated entity to its own employees or partners.

⁸ MSRB Rule G-20(a).

consistent with FINRA Rule 3220 as amended by FINRA's gift rule amendment, to (i) increase the gift limit from \$100 to \$300 per person per year; (ii) address how gifts incidental to normal business dealings should be treated; (iii) revise valuation and aggregation requirements; (iv) codify additional exceptions to which the gift limit and recordkeeping requirements do not apply; (v) establish additional supervision and recordkeeping requirements; and (vi) clarify that the rule does not apply to gifts from a regulated entity to its own associated persons or to individual retail customers. The proposed rule change would also make technical amendments to renumber certain Supplementary Materials for simplicity and better organization. The amendments are addressed below.

Background

Current MSRB Rule G-20

The MSRB adopted MSRB Rule G-20 in 1978,⁹ alongside several other rules including the MSRB's baseline fair practice rule, MSRB Rule G-17, with the purpose to "codify basic standards of fair and ethical business conduct for municipal securities professionals."¹⁰ Originally applicable to dealers, MSRB Rule G-20 was amended in 2015 to extend its provisions to municipal advisors.¹¹ The rule functions to protect against improprieties and conflicts of interest that may arise when a regulated entity, or its associated persons, attempts to induce organizations active in the municipal securities market to engage in business with such regulated

⁹ See Exchange Act Release No. 15247 (Oct. 27, 1978), 43 FR 50526 (Oct. 30, 1978), File No. SR-MSRB-77-12.

¹⁰ See Exchange Act Release No. 14519 (Mar. 2, 1978), 43 FR 9672, 9672 (Mar. 9, 1978), File No. SR-MSRB-77-12.

¹¹ See Exchange Act Release No. 76381 (Nov. 6, 2015), 80 FR 70271 (Nov. 13, 2015), File No. SR-MSRB-2015-09.

entity by means of gifts given to employees of such organizations. However, MSRB Rule G-20 should not be read in isolation from other MSRB fair practice rules, including MSRB Rule G-17.

In pertinent part, MSRB Rule G-20 currently prohibits a regulated entity,¹² and its associated persons, in certain circumstances, from giving directly or indirectly gifts in excess of \$100 per year to a person other than an employee or partner of the regulated entity.¹³ This prohibition only applies if such gifts are in relation to the municipal securities or municipal advisory activities of the employer of the recipient of the payment or service.¹⁴ This general limitation (hereinafter referred to as the “gift limit”), currently set forth in section (c) of MSRB Rule G-20, has remained fixed at \$100 since MSRB Rule G-20 was adopted in 1978.¹⁵

MSRB Rule G-20 currently specifies certain types of gifts that are not subject to the gift limit, provided that they do not give rise to any apparent or actual material conflict of interest:¹⁶

- (i) normal business dealings, which include occasional gifts of meals or tickets to theatrical, sporting, and other entertainments that are hosted by the regulated entity or its associated persons,¹⁷ and the sponsoring by the regulated entity of legitimate business functions that are recognized by the Internal Revenue Service as deductible

¹² See MSRB Rule G-20(b)(vii).

¹³ MSRB Rule G-20(c).

¹⁴ Id. For the purposes of Rule G-20, the definition of the term “employer” includes a principal for whom the recipient of a payment or service is acting as agent or representative. Id.

¹⁵ See supra note 10, 43 FR at 9673.

¹⁶ MSRB Rule G-20(d)(i)–(vi), respectively.

¹⁷ Pursuant to MSRB Rule G-20, if the regulated entity or its associated person(s) failed to host (i.e., accompany guests) such types of events, then gifts of this kind would be subject to the gift limit.

- business expenses, provided that such gifts shall not be so frequent or so extensive as to raise any question of propriety;
- (ii) transaction-commemorative 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, such as pens, notepads or modest desk ornaments;
 - (iv) promotional gifts of nominal value displaying the regulated entity's corporate or other business logo¹⁸ and that are substantially below the gift limit (considered of nominal value);
 - (v) bereavement gifts that are reasonable and customary for the circumstances; and
 - (vi) 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).¹⁹

MSRB Rule G-20 includes Supplementary Material, which provides guidance relating to the valuation and the aggregation of gifts and to the applicability of state laws. Supplementary Material .01, on valuations of gifts, currently states that a gift's value should be determined generally according to the higher of its cost or market value, and that tickets to a sporting or

¹⁸ Under current Supplementary Material .03, on 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).

¹⁹ Under current Supplementary Material .04, on personal gifts, the rule, among other things, exempts personal gifts that are not "in relation to the municipal securities or municipal advisory activities of the employer of the recipient" from the gift limit. The Supplementary Material states that, in determining whether a gift is personal in nature, 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.

other entertainment event should use the higher of cost or face value. Supplementary Material .02, on aggregations of gifts, currently states that regulated entities must aggregate all gifts that are subject to the gift limit given by the regulated entity and each associated person of the regulated entity to a particular recipient over the course of a year.²⁰

As noted above, MSRB Rule G-20 does not conclusively exempt these categories of gifts from the gift limit as such gifts must not give rise to any apparent or actual material conflict of interest, even if they otherwise fully meet the description of an exempt category of gifts, consistent with a core purpose of the rule to protect against improprieties and conflicts of interest that may arise when regulated entities or their associated persons give gifts or gratuities in relation to the municipal securities or municipal advisory activities of the recipients' employers under Rule G-20(a). Furthermore, MSRB Rule G-17, on conduct of municipal securities and municipal advisory activities, applies to the activities of regulated entities, whether or not another rule may apply to certain aspects of such activities.²¹ As such, the MSRB reminds regulated entities that MSRB Rule G-17 has long been articulated as a rule that complements the other rules centered on the protection of investors, municipal entities, obligated persons and the public interest. Depending on the particular facts and circumstances, a regulated entity may violate the fundamental fair-dealing obligations of MSRB Rule G-17 if such regulated entity

²⁰ A "year" is defined by the regulated entity (*i.e.*, calendar year, fiscal year, or rolling basis beginning with the first gift given to any particular recipient). *See* Supplementary Material .02 to MSRB Rule G-20.

²¹ For example, the MSRB has previously provided guidance regarding payments for excessive or lavish entertainment expenses that, depending on the specific facts, can constitute both a violation of MSRB Rule G-20 and MSRB Rule G-17. *See* MSRB Interpretation, Dealer Payments in Connection With the Municipal Securities Issuance Process (Jan. 29, 2007), available at <https://www.msrb.org/Dealer-Payments-Connection-Municipal-Securities-Issuance-Process>.

engages in behavior that would constitute a deceptive, dishonest or unfair practice, whether or not such behavior also constitutes a violation of MSRB Rule G-20, as amended by this proposed rule change.

With respect to the applicability of state or other laws, the MSRB notes that regulated entities and their associated persons may be subject to other duties, restrictions or obligations under state or other laws and nothing within the rule shall be deemed to supersede any more restrictive provision of state or other laws in this area.²²

FINRA's Gift Rule Amendment

FINRA's gift rule amendment, which was approved by the Commission on February 12, 2026,²³ and became effective March 30, 2026,²⁴ makes the following revisions to FINRA Rule 3220:

- raises the dollar amount of FINRA's gift limit from \$100 to \$300;
- provides FINRA the authority to grant exemptive relief from the gift limit;
- codifies certain existing FINRA guidance, including guidance regarding gifts incidental to business entertainment, valuation of gifts, aggregation of gifts, personal gifts, bereavement gifts, de minimis gifts and promotional or commemorative items, donations due to federally declared major disasters; and
- adopts supervision requirements and additional recordkeeping obligations.

²² Supplementary Material .05. The MSRB recognizes that the federal government and many states and localities limit gifts to government officials and their employees.

²³ See FINRA Approval Order, supra note 3, 91 FR at 7570.

²⁴ See FINRA Regulatory Notice 26-05 (Feb. 27, 2026), available at <https://www.finra.org/rules-guidance/notices/26-05>.

Moreover, FINRA's gift rule amendment makes conforming changes to the gift limit with respect to FINRA Rules 2310, 2320, 2341 and 5110, on non-cash compensation.²⁵

While the MSRB has filed with the Commission this proposed rule change to harmonize MSRB Rule G-20 with FINRA Rule 3220 as amended by FINRA's gift rule amendment, significant portions of MSRB Rule G-20 would be unaffected by FINRA's gift rule amendment due to the MSRB's earlier codification into MSRB Rule G-20 the substance of certain FINRA interpretations that FINRA had not yet incorporated into FINRA Rule 3220 until FINRA's gift rule amendment.²⁶ The MSRB notes that, although FINRA's gift rule amendment provides authority for FINRA to grant exemptive relief to FINRA Rule 3220, the proposed rule change would not harmonize or align with FINRA through the inclusion of corresponding provisions, for the reasons stated below. The proposed rule change would align and harmonize both the substantive requirements, as appropriate, and the text and organization with FINRA's gift rule amendment where doing so does not negatively impact the clarity of MSRB Rule G-20.

Description of Proposed Rule Change

Increase in Dollar Amount of Gift Limit

FINRA Rule 3220(a) prohibits a FINRA member or person associated with a FINRA member from giving anything of value, including gratuities, in excess of \$300, which represents an increase to the dollar amount of the gift limit from \$100 to \$300 effectuated by FINRA's gift

²⁵ See FINRA Approval Order, *supra* note 3, 91 FR at 7571. FINRA's non-cash compensation provisions are codified as separate rules, while the MSRB's non-cash compensation provisions are codified within MSRB Rule G-20 (subsections G-20(g)(i)–(v)).

²⁶ See Exchange Act Release No. 52555 (Oct. 3, 2005), 70 FR 59106 (Oct. 11, 2005), File No. SR-MSRB-2005-02; Exchange Act Release No. 76381 (Nov. 6, 2015), 80 FR 70271 (Nov. 13, 2015), File No. SR-MSRB-2015-09.

rule amendment. In determining the increase to the gift limit, FINRA calculated the average annual rate of inflation since 1992, when the limit was set at \$100.²⁷ In response to comments received by the Commission during the course of rulemaking with respect to FINRA’s gift rule amendment, FINRA modified its original proposal by extrapolating this rate to account for ten years of future inflation.²⁸ FINRA stated that it believed the proposed, higher gift limit would continue to permit the exchange of business courtesies while helping to guard against excessiveness.²⁹ FINRA also articulated that a dollar limit, as opposed to, for example, a principles-based approach, would provide certainty regarding the limit for gifts and help facilitate broker-dealer compliance.³⁰ The MSRB agrees that this is an appropriate approach (*i.e.*, a stated dollar limit) in modernizing the MSRB’s gift limit under MSRB Rule G-20.

Thus, the proposed rule change would increase the gift limit under MSRB Rule G-20(c) from \$100 to \$300, matching the increased limit under FINRA’s gift rule amendment.³¹ MSRB Rule G-20 has maintained a \$100 gift limit since the late 1970s, in service of a purpose substantively the same as the purpose of FINRA Rule 3220.³² The proposed rule change would

²⁷ See Exchange Act Release No. 103226 (June 11, 2025), 90 FR 25674, 25675 (June 17, 2025), File No. SR-FINRA-2025-003 (“FINRA Filing”).

²⁸ See Exchange Act Release No. 103958 (Sept. 12, 2025), 90 FR 44855, 44856 (Sept. 17, 2025), File No. SR-FINRA-2025-003 (“Amendment 1”).

²⁹ FINRA Filing, *supra* note 27, 90 FR at 25675.

³⁰ *Id.*

³¹ Proposed amendment to Rule G-20(c), mirroring FINRA Rule 3220(a).

³² Compare MSRB Rule G-20(a) (“The purpose of this rule is to maintain the integrity of the municipal securities market and to preserve investor and public confidence in the municipal securities market, including the bond issuance process. The rule protects against improprieties and conflicts of interest that may arise when regulated entities or their associated persons give gifts or gratuities in relation to the municipal securities or

also mirror FINRA's gift rule amendment by making a conforming amendment to MSRB Rule G-20(g)(i), increasing the dollar amount of the gift limit in relation to non-cash compensation from \$100 to \$300.³³

Amendments to Harmonize With New Supplementary Material to FINRA Rule 3220

FINRA previously issued guidance and interpretations regarding the application of FINRA gifts rules in specific contexts. FINRA's gift rule amendment incorporates and substantially codifies such guidance and interpretations into supplementary material to FINRA Rule 3220. As noted above, many of the interpretations, now codified as FINRA supplementary material, were incorporated into MSRB Rule G-20 by way of past filings. As a result, the proposed rule change does not require significant wholesale changes to Rule G-20 to achieve harmony with those specific FINRA supplementary materials. In contrast, some new FINRA supplementary materials impose requirements not currently found under MSRB Rule G-20, and the proposed rule change contains corresponding proposed amendments. The proposed rule change's treatment of each topic is detailed below.

Gifts Incidental to Business Entertainment or Normal Business Dealings

FINRA's interpretive guidance did not expressly exclude from its gift limit gifts given during the course of a business entertainment event, so FINRA sought to clarify that a gift given during the course of a business entertainment event would be subject to the \$300 limit on gifts

municipal advisory activities of the recipients' employers."), with Amendment 1, supra note 28, 90 FR at 44855 ("[FINRA Rule 3220] is designed to avoid improprieties, such as conflicts of interest, that may arise when a [FINRA] member or associated person makes a gift to an employee of another person, such as an institutional customer, vendor, or counterparty with the hope of strengthening the business relationship with them.") (internal reference omitted).

³³ Proposed amendment to Rule G-20(g)(i), mirroring FINRA non-cash compensation rules referenced above (supra note 25).

unless one of the requisite exclusions apply (i.e., the gift given is a personal gift, of de minimis value, or a promotional/commemorative item). FINRA’s Rule 3220.01 expressly states that, unless a gift qualifies as a personal gift under FINRA Rule 3220.04 or as a gift of de minimis value or a promotional or commemorative item under FINRA Rule 3220.06, a gift given during a business entertainment event would be subject to the \$300 gift limit and to the rule’s recordkeeping requirements.³⁴ In its filing, FINRA further clarified the obligation under FINRA Rule 3220.06 through an example—gifts of clothing or electronics at a business entertainment event would be subject to its gift limit. However, pens or note pads of de minimis value given during such business entertainment would not be subject to the gift limit provided the item meets the requirements of 3220.06.³⁵

MSRB Rule G-20(d) lists gifts that are not subject to the gift limit, including, among other things, “normal business dealings” as described in MSRB Rule G-20(d)(i). The term normal business dealings refers to 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. The concept of normal business dealings included in MSRB Rule G-20 effectively includes what is referred to in FINRA Rule 3220 as “business entertainment.”

³⁴ The cost of the business entertainment event itself would not be included in the value of the gift. FINRA Filing, supra note 27, 90 FR at 25676.

³⁵ See FINRA Filing, supra note 27, 90 FR at 25675–76.

While MSRB Rule G-20 currently makes clear that normal business dealings should not be so frequent or so extensive as to raise any questions of propriety, the rule does not expressly state that gifts given in the course of normal business dealings that are not among the types of gifts excepted by the rule from the gift limit (e.g., gifts that are not personal, de minimis or promotional in nature, as further described below) would themselves be subject to the gift limit.

The proposed rule change would amend subsection G-20(d)(i), which addresses normal business dealings (including occasional gifts of meals or tickets to theatrical, sporting, and other entertainments that are hosted by the regulated entity or its associated persons), by adding language to explicitly state that a gift given during the course of a normal business dealing is subject to the \$300 gift limit unless it qualifies for certain other exceptions prescribed under Rule G-20(d)³⁶ for gifts and gratuities not subject to the gift limit.³⁷ This language would align closely with FINRA Rule 3220.01.

Valuation of Gifts³⁸

FINRA Rule 3220.02, as amended by FINRA's gift rule amendment, requires that gifts (other than tickets to sporting or other events) be valued at cost, exclusive of tax and delivery charges. This differs from FINRA's previous interpretive guidance, which required that gifts be valued at the higher of either cost or market value. In adopting FINRA's gift rule amendment,

³⁶ These exceptions would be limited to transaction-commemorative gifts, de minimis gifts, promotional gifts and personal gifts. See MSRB Rules G-20(d)(ii)–(iv), (vi), respectively.

³⁷ See the final sentence of proposed MSRB Rule G-20(d)(i), mirroring FINRA Rule 3220.01.

³⁸ Note that the gifts discussed in this section would not ordinarily be considered normal business dealings, as discussed above, since the gifts discussed in this section are not meals or tickets to other events hosted by the regulated entity as legitimate business functions. See "Gifts Incidental to Business Entertainment or Normal Business Dealings," supra.

FINRA stated that it believes that this deviation from existing guidance is justified because the difficulty and burdensome nature of determining the market value would result in complexity and subjectivity in the valuation that would outweigh any benefit.³⁹ Otherwise, FINRA Rule 3220.02 codifies FINRA guidance and interpretations by requiring the use of the higher of cost or face value when valuing tickets to sporting or other events, and by requiring that if gifts are given to multiple recipients, firms 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 gift limit.⁴⁰

Current Supplementary Material .01 of MSRB Rule G-20 largely mirrors the requirements of FINRA Rule 3220.02⁴¹ with the exception of the change specific to the valuation of gifts. The proposed rule change would amend this supplementary material to harmonize with FINRA Rule 3220.02 to value gifts at cost with the exception of tickets to sporting or other events, which as previously mentioned would continue to be valued at the higher of cost or face value.⁴²

³⁹ See FINRA Filing, supra note 27, 90 FR at 25676.

⁴⁰ Id.

⁴¹ Proposed Supplementary Material .01, mirroring FINRA Rule 3220.02, would include minor, non-substantive changes to the title: “Valuations of Gifts” to “Valuation of Gifts.” The non-substantive changes add clarity, improve organization and highlight parallels with FINRA Rule 3220.02.

⁴² See Proposed Supplementary Material .01 of MSRB Rule G-20. While the MSRB acknowledges the rationale for the change as articulated by FINRA with respect to the difficulty in discerning the market value of gifts, the MSRB reminds regulated entities that MSRB Rule G-20(d) provides that gifts otherwise excepted from the gift limit under section (d) must not give rise to any apparent or actual material conflict of interest, and that the principles of fair dealing under MSRB Rule G-17 also may apply, as described above. See supra note 21 and accompanying text.

Aggregation of Gifts

FINRA Rule 3220.03 requires the aggregation of all gifts given by its members and each associated person of its members to a particular recipient over the course of the year, and for its members to state in their procedures whether they are aggregating all gifts given on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any particular recipient. FINRA Rule 3220.03 also states that it does not apply to gifts that meet the requirements of certain other provisions of FINRA's gift rule amendment (i.e., personal gifts, de minimis gifts, promotional or commemorative items).

The requirement to aggregate all gifts given and in a consistent manner over the course of a year aligns with existing Supplementary Material .02 of MSRB Rule G-20, on aggregations of gifts; however, Supplementary Material .02 of MSRB Rule G-20 does not currently require regulated entities' policies and procedures to state the requisite time frame over which all gifts would be aggregated. Therefore, the proposed rule change would make conforming changes by expressly stating within Supplementary Material .06, on supervision and recordkeeping, that regulated entities' procedures must state the requisite time frame for the aggregation (i.e., calendar year, fiscal year, or rolling basis).⁴³ The proposed rule change would further align and harmonize with FINRA Rule 3220.03 by explicitly stating that the aggregation requirements do not apply to gifts that meet the requirements of section (d) and that are consistent with the requirements of Supplementary Materials .03 and .05 of MSRB Rule G-20 (i.e., transaction-commemorative/promotional gifts, de minimis gifts, bereavement gifts, personal gifts and

⁴³ The requisite time frame for the aggregation of gifts has been expressly incorporated into Proposed Supplementary Material .06, on supervision and recordkeeping, which is discussed below, due to the logical nature and fit of such policies and procedure requirement.

donations due to federally declared major disasters).⁴⁴ The MSRB believes that operationalizing the aggregation of gifts and gratuities would be aided by policies and procedures that address the time frame for such aggregation.

Personal Gifts

FINRA Rule 3220.04, on personal gifts, states that 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 gift limit restrictions in FINRA Rule 3220(a) or the recordkeeping requirements in FINRA Rule 3220(c), provided the gifts are customary and reasonable, personal in nature, and not in relation to the business of the employer of the recipient.⁴⁵ In determining whether a gift is personal in nature and not in relation to the business of the employer of the recipient, 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 should be considered. FINRA Rule 3220.04 also states that when its member bears the cost of a gift, either directly or by reimbursing an associated person, there is a presumption that the gift is not personal in nature and instead is in relation to the business of the employer of the recipient.

The proposed rule change would amend MSRB Rule G-20(d)(vi) by adding language that would explicitly require personal gifts to be reasonable and customary. The MSRB believes that the combination of the amended text of subsection G-20(d)(vi), which would provide an

⁴⁴ Proposed Supplementary Material .02, mirroring FINRA Rule 3220.03. Proposed Supplementary Material .02 would also include minor non-substantive changes to the title: “Aggregations of Gifts” to “Aggregation of Gifts.” The non-substantive changes add clarity, improve organization and highlight parallels with FINRA Rule 3220.03.

⁴⁵ FINRA has noted that the exception for personal gifts would not apply to gifts given for events that occur frequently, or even annually, such as birthdays. See FINRA Filing, supra note 27, 90 FR at 25682.

exception for personal gifts and brief definition of the same, and the corresponding Supplementary Material,⁴⁶ which provides additional clarification regarding the nature of personal gifts and the exception for such gifts, would substantively align with the requirements of FINRA Rule 3220.04.⁴⁷ To harmonize with the recordkeeping exception of FINRA Rule 3220.04, the proposed rule change would add language within new Supplementary Material .06, on supervision and recordkeeping requirements, stating that personal gifts are not subject to the recordkeeping requirements under MSRB Rule G-8(h)(ii) by way of incorporation into Supplementary Material .06 of MSRB Rule G-20.

Bereavement Gifts

FINRA Rule 3220.05, on bereavement gifts, states that such 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 gift limit. FINRA had long considered bereavement gifts to be a type of personal gift because bereavement gifts are given for infrequent life events. However, commenters raised concerns about treating bereavement gifts as a type of personal gift. In response, FINRA adopted 3220.05 to separate the supplementary material from that on personal gifts.

MSRB Rule G-20(d)(v) states that bereavement gifts that are reasonable and customary for the circumstances are not subject to the gift limit provided they do not give rise to any

⁴⁶ Proposed Supplementary Material .03 is renumbered from Supplementary Material .04 of MSRB Rule G-20. This Supplementary Material is substantively the same as current Supplementary Material .04.

⁴⁷ In addition, the MSRB agrees with FINRA's assessment that the exception for personal gifts would not apply to gifts given for events that occur frequently, or even annually, such as birthdays.

apparent or actual material conflict of interest.⁴⁸ To further align and harmonize with FINRA's gift rule amendment, the proposed rule change would amend subsection (d)(v) of MSRB Rule G-20 by adding language explicitly stating that bereavement gifts are not considered to be in relation to the business of the employer of the recipient.⁴⁹ The proposed rule change would also add language within new Supplementary Material .06, on supervision and recordkeeping requirements, stating that bereavement gifts are not subject to the recordkeeping requirements under MSRB Rule G-8(h)(ii) by way of incorporation into Supplementary Material .06 of MSRB Rule G-20. The MSRB believes that clarification on the exclusions under MSRB Rule G-20 will assist regulated entities in achieving compliance objectives.

De Minimis Gifts and Promotional Gifts or Commemorative Items

FINRA Rule 3220.06(a) provides that gifts of 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 excepted from FINRA Rule 3220's gift limit and the recordkeeping requirements under the rule, if the value of such gift or item is substantially below the \$300 gift limit. FINRA Rule 3220.06(b) provides an exception from the gift limit and recordkeeping requirements for customary and reasonable solely decorative items commemorating a business transaction. FINRA noted it did not believe it was necessary to explicitly limit the value of customary commemorative items because such items must be solely decorative. Thus, the restrictions under FINRA Rule 3220(a) would apply where the item is not

⁴⁸ See MSRB Rule G-20(d)(v). The material conflict of interest caveat applies to all exceptions under MSRB Rule G-20(d).

⁴⁹ Proposed MSRB Rule G-20(d)(v), harmonizing with FINRA Rule 3220.05.

solely decorative, irrespective of whether the item was intended to commemorate a business transaction.⁵⁰

MSRB Rule G-20(d)(ii)–(iv) already provides corresponding exceptions to the gift limit for gifts of de minimis value (e.g., pens, notepads or modest desk ornaments),⁵¹ promotional items of nominal value displaying the regulated entity’s corporate or other business logo (provided that the value be substantially below the \$100 general gift limit),⁵² and gifts that are solely decorative items commemorating a business transaction, such as a customary plaque or desk ornament (e.g., Lucite tombstone).⁵³ To fully align these provisions with FINRA’s gift rule amendment, the proposed rule change would amend MSRB Rule G-20(d)(iii) by adding a sentence explicitly stating that the value of a gift must be substantially below the \$300 gift limit for such gift to be considered of de minimis value, and amend MSRB Rule G-20(d)(iv) to change the gift limit from \$100 to \$300 and add parenthetical examples of promotional gifts (e.g., umbrellas, tote bags, or shirts).⁵⁴ In conforming with FINRA’s gift rule amendment, the proposed rule change would add language to new Supplementary Material .06, on supervision

⁵⁰ FINRA expressed for example, providing an employee of an organization with elaborate electronic equipment following the closing of a transaction would be subject to the gift limit. See FINRA Filing, supra note 27, 90 FR at 25677.

⁵¹ See MSRB Rule G-20(d)(iii).

⁵² See MSRB Rule G-20(d)(iv). See also Proposed Supplementary Material .04 of MSRB Rule G-20 (providing additional clarity regarding the nature of promotional items and other business logos). Proposed Supplementary Material .04 is substantively the same as current Supplementary Material .03.

⁵³ See MSRB Rule G-20(d)(ii).

⁵⁴ The proposed rule change would amend MSRB Rule G-20(d)(iv), to mirror FINRA Rule 3220.06, by updating the gift limit to \$300 and by adding parenthetical examples of promotional gifts. As previously noted, the rule is consistent in all other respects.

and recordkeeping, stating that personal gifts are not subject to the recordkeeping requirements under MSRB Rule G-8(h)(ii) by way of incorporation into Supplementary Material .06 of MSRB Rule G-20. In addition, the proposed rule change would renumber Supplementary Material .03, on promotional gifts and “other business logo,” to Supplementary Material .04.

Donations Due to Federally Declared Major Disasters

FINRA Rule 3220.07 codifies FINRA interpretive guidance stating that donations to an employee of an institutional customer to provide assistance to an individual in connection with a federally declared major disaster, such as a wild fire, hurricane, tornado, earthquake, or flood, are not considered to be in relation to the business of the employer of the recipient and are therefore not subject to the gift limit. The proposed rule change would add Supplementary Material .05 of MSRB Rule G-20 and would directly mirror FINRA Rule 3220.07.⁵⁵ The MSRB agrees with FINRA that such donations are not in relation to the business of the employer of the recipient, and therefore, should be excluded from the gift limit and recordkeeping requirements under MSRB Rule G-8(h)(ii).

Supervision and Recordkeeping

Citing FINRA Rule 3110, on supervision, FINRA Rule 3220.08 requires a supervisory system that is reasonably designed to achieve compliance with Rule 3220.⁵⁶ Specifically, FINRA Rule 3220.08 requires FINRA members 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 firm and its associated persons to employees of another person are: (1) reported to the firm; (2) reviewed for compliance with Rule 3220; and (3) maintained in the

⁵⁵ Proposed Supplementary Material .05, to mirror FINRA Rule 3220.07.

⁵⁶ Amendment 1, supra note 28, 90 FR at 44858.

firm's records.⁵⁷ FINRA Rule 3220.08 also requires procedures reasonably designed to ensure that the person giving a gift or gratuity is not the same person responsible for determining whether that gift or gratuity is related to the business of the recipient's employer. Finally, this provision restates that gifts described in FINRA Rule 3220.04, on personal gifts, FINRA Rule 3220.05, on bereavement gifts, FINRA Rule 3220.06, on de minimis gifts and promotional or commemorative items,⁵⁸ and FINRA Rule 3220.07, on donations due to federally declared major disasters, are not subject to the recordkeeping requirements of the rule.⁵⁹

The proposed rule change would add new Supplementary Material .06, on supervision and recordkeeping, that substantively aligns with FINRA Rule 3220.08 by mirroring the language that clarifies the nature of the requirements necessary to achieve compliance with the rule.⁶⁰ The supervisory requirements expressly state that procedures must be reasonably designed to ensure that the person giving the gift or gratuity is not the same person responsible for determining whether the gift or gratuity is in relation to the business of the recipient's employer. However, this provision does not account for the uniqueness of the regulatory framework for small municipal advisors. The proposed rule change caveats this supervisory requirement by permitting municipal advisors to carry out their compliance obligation in accordance with

⁵⁷ Id.

⁵⁸ FINRA has previously stated that its gift rule does not apply to gifts of de minimis value (e.g., pens, notepads or modest desk ornaments). See NASD Notice to Members 06-69, NASD Issues Additional Guidance on Rule 3060 (Influencing or Rewarding Employees of Others) (Dec. 4, 2006), available at <https://www.finra.org/rules-guidance/notices/06-69>.

⁵⁹ Id.

⁶⁰ Proposed Supplementary Material .06, to mirror FINRA Rule 3220.08.

Supplementary Material .03 of Rule G-44.⁶¹ Additionally, the proposed rule change adds language to clarify that 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 of this rule. The MSRB believes aligning the substantive provisions that directly address the standards necessary to achieve compliance is the most direct way to promote regulatory harmonization and reduce compliance burdens for firms subject to the rules of multiple regulators.

The recordkeeping requirements would not apply to normal business dealings, de minimis gifts, promotional or commemorative items, personal gifts, bereavement gifts or donations due to federally declared major disasters⁶² because such gifts, by their very nature, should be infrequent or customary and reasonable for the circumstances, depending on the nature of the gift in question. Although the MSRB is not requiring records to be made and maintained related to normal business dealings, the MSRB notes that regulated entities may determine to implement recordkeeping requirements in this area as part of their supervisory system to achieve compliance with the MSRB's gift rule. The MSRB believes that a principles-based approach to recordkeeping requirements for normal business dealings is a more prudent approach given the application to both dealers and municipal advisors, and additional, potentially unnecessary, administrative costs associated with making and maintaining such records. As such, regulated entities should decide whether records should be made and maintained, based on the facts and circumstances specific to any given normal business dealing. The MSRB notes that regulated

⁶¹ Pursuant to Supplementary Material .03 of MSRB Rule G-44, a municipal advisor is permitted to tailor its written supervisory procedures based on, among other things, an advisor's size.

⁶² Proposed Supplementary Material .05, to mirror FINRA Rule 3220.07.

entities should make such determination in the context of their overall supervisory obligations and in ensuring their supervisory system is reasonably designed to achieve compliance with MSRB rules and other applicable securities laws and regulations.

Gifts to a Regulated Entity's Associated Persons or Individual Retail Investors

FINRA Rule 3220.09 states that FINRA Rule 3220 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.” Although the substance of this provision was already implied by the text of FINRA Rule 3220, FINRA added Rule 3220.09 to clarify and improve awareness and understanding of the scope of FINRA’s gift rule amendment.⁶³ The proposed rule change would add new Supplementary Material .07 to MSRB Rule G-20 directly mirroring FINRA Rule 3220.09.⁶⁴

Minor Technical Language Changes

Finally, the proposed rule change would make a limited number of non-substantive technical changes to rule language to improve consistency and clarity. Current rule language inconsistently refers to sections of MSRB Rule G-20 and its Supplementary Materials; the proposed rule change would correct these inconsistencies. In addition, the proposed rule change would make a technical amendment to renumber existing Supplementary Material .05, on applicability of state or other laws, to Supplementary Material .08.

Provision from FINRA’s Gift Rule Amendment Omitted from Proposed Rule Change

⁶³ See FINRA Approval Order, supra note 3, 91 FR at 7574.

⁶⁴ Proposed Supplementary Material .07, to mirror FINRA Rule 3220.09.

FINRA's gift rule amendment includes a new section within Rule 3220,⁶⁵ which authorizes FINRA staff, pursuant to the FINRA Rule 9600 series, to conditionally or unconditionally grant an exemption from any provision of FINRA Rule 3220 for good cause shown, after taking into account all relevant factors and provided that such exemption is consistent with the purposes of FINRA Rule 3220, the protection of investors, and the public interest.⁶⁶

The proposed rule change does not include a corresponding amendment to MSRB Rule G-20 due to the unique regulatory structure under Section 15B of the Exchange Act,⁶⁷ which requires the MSRB to undertake rulemaking responsibilities while assigning examination and enforcement authority to other regulators such as the Commission, FINRA and the federal banking regulators. Any amendment to MSRB Rule G-20 to permit regulated entities to seek exemptive relief would require a regulated entity to submit its request to the appropriate regulator (i.e., not the MSRB) for consideration and potential exemptive action under that regulator's procedures. At such time as the appropriate regulators have processes in place, or agree to put such processes in place, to potentially receive, review and act on any such exemptive requests, the MSRB could consider whether to adopt a further provision to MSRB Rule G-20 to institute a similar exemptive relief mechanism.

Operative and Compliance Dates

As previously mentioned, the operative date for the proposed rule change would be June 1, 2026, for dealers that are FINRA members. However, a separate compliance date of December

⁶⁵ FINRA Rule 3220(d).

⁶⁶ Id.

⁶⁷ 15 U.S.C. 78o-4.

1, 2026, would apply for all municipal advisors as well as bank dealers with respect to the proposed rule change. Until such compliance date for municipal advisors and bank dealers, such regulated entities would be subject to the existing provisions of MSRB Rule G-20, including, but not limited to, the gift limit (i.e., \$100 limit per person per year) and overarching supervisory and recordkeeping requirements, as applicable.

The delayed compliance date for all municipal advisors and bank dealers is designed to provide such regulated entities sufficient time to revise their policies and procedures and their recordkeeping and related processes to ensure efficient and effective compliance with the new requirements of the proposed rule change without creating unnecessary burdens or disruption. While FINRA member firms should have come into compliance with the comparable policies and procedures under FINRA Rule 3220 in connection with their other securities market activities, non-dealer municipal advisors, as well as bank dealers, would need time to make any necessary changes.

Exchange Act Section 15B(b)(2)(L)(iv) directs the MSRB to adopt rules with respect to municipal advisors that do not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.⁶⁸ In response to a request for information published by the MSRB in 2023 seeking input on the impacts of MSRB rules on small firms (the “Small Firm RFI”),⁶⁹ one commenter noted “[m]any firms do seek outside counsel or compliance professionals to assist with their

⁶⁸ 15 U.S.C. 78o-4(b)(2)(L)(iv).

⁶⁹ MSRB Notice 2023-11, Request for Information on Impacts of MSRB Rules on Small Firms (Dec. 4, 2023), available at <https://www.msrb.org/sites/default/files/2023-12/2023-11.pdf>.

compliance programs. These costs may represent the price of doing business, but place greater financial and administrative burdens on smaller firms. The cost of external compliance review and/or development and maintenance of written supervisory procedures ('WSP')/policies and procedures, etc., are typically not based on the size of the firm, but rather a fixed cost to firms. That proportionately places greater costs on small firms.”⁷⁰ This commenter also asked that the MSRB confer with small municipal advisors to discuss how small municipal advisors “approach reviewing new/updated rules, making changes to their WSPs, and implementing compliance and supervisory procedures.”⁷¹

Focusing across both dealer and municipal advisor firms, another commenter on the Small Firm RFI “... urge[d] the Board to consider how its potential rule changes would affect all market participants, including smaller BDs, and to write rules which do not impose unreasonable compliance standards on any market participant, big or small. This is especially important with respect to implementation periods for regulatory changes. In many cases, it may reasonably take smaller firms more time to implement rule changes than larger firms due to fewer resources available for the task. We urge the Board to consider the effects of its rule amendments on those firms that would be particularly challenged and to gauge implementation times to ensure all firms are able to be fully compliant on a rule’s effective date.”⁷²

⁷⁰ See Letter from Susan Gaffney, Executive Director, National Association of Municipal Advisors, p. 2 (Feb. 26, 2024), available at <https://www.msrb.org/sites/default/files/2024-02/NAMAsmallfirmFEB2024.pdf>.

⁷¹ Id. at 4.

⁷² See Letter from Michael Decker, Senior Vice President, Bond Dealers of America, p.2 (Feb. 26, 2024), available at <https://www.msrb.org/sites/default/files/2024-02/BDA-Notice-2023-11.pdf>.

The MSRB believes that providing additional time to come into compliance with the new supervisory and recordkeeping requirements in the proposed rule change is responsive to these concerns and suggestions.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act,⁷³ which provides that the MSRB's rules shall be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

In accordance with Section 15B(b)(2)(C) of the Exchange Act,⁷⁴ the proposed rule change is designed to prevent fraudulent and manipulative acts and practices. Although the proposed rule change would increase the gift limit, it continues to protect investors and preserve public confidence in the municipal securities market because the proposed rule change would also put into place additional provisions strengthening supervision and recordkeeping requirements designed to prevent fraudulent acts and manipulative practices.⁷⁵ For example, the proposed rule change would require policies and procedures to be reasonably designed to ensure

⁷³ 15 U.S.C. 78o-4(b)(2)(C).

⁷⁴ Id.

⁷⁵ MSRB Rule G-20(a) (stating that the purpose of MSRB Rule G-20 is to preserve investor and public confidence in the municipal securities market, including the bond issuance process).

that the associated person giving a gift is not also the person responsible for the determination of whether the gift in question is in relation to the municipal securities or municipal advisory activities of the employer of the gift's recipient. Not only is the proposed rule change consistent with the explicit purpose of MSRB Rule G-20, but also increased harmonization with the corresponding FINRA provisions is intended to provide a practical and balanced way for regulated entities to continue effectively meeting the core regulatory obligation to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable MSRB rules, which directly serves investor protection. Furthermore, the proposed rule change clarifies the supervisory obligations of regulated entities and provides greater flexibility to design and implement necessary policies and procedures.

By aligning the requirements of MSRB Rule G-20 with FINRA's gift rule amendment, the proposed rule change promotes just and equitable principles of trade by ensuring all regulated entities are subject to the same regulatory standard under both FINRA and MSRB rules. This regulatory consistency would allow regulated entities that are subject to FINRA and MSRB rules to more efficiently design and implement policies and procedures to ensure compliance with both MSRB Rule G-20 and with FINRA's gift rule amendment without the burden or confusion of differing regulatory requirements. The MSRB believes that the proposed rule change would alleviate some of the operational challenges regulated entities would otherwise experience due to regulatory uncertainty—regulated entities would be able to more effectively allocate resources to the operations that facilitate transactions in municipal securities, and thereby, removing impediments to a free and open market.

Finally, aligning MSRB Rule G-20 with FINRA's gift rule amendment fosters cooperation between regulators because it creates as close as possible a uniform standard, with minimal distinction needed between the treatment of municipal securities and other asset classes, enabling FINRA and the Commission to more efficiently inspect regulated entities subject to the rules of both self-regulatory organizations.

In addition, Section 15B(b)(2)(L)(iv) of the Exchange Act provides that MSRB rules may not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons provided that there is robust protection of investors against fraud.⁷⁶ While the proposed rule change would burden some small municipal advisors, the MSRB believes that any such burden is outweighed by the need to maintain the integrity of the municipal securities market by extending to municipal advisors the same regulatory obligations by which dealers have to operate with respect to the protection of investors and the public interest. The MSRB believes that clarifying the narrow exclusions to the gift limit would reduce the chances of potential violations of the public trust by having rules of the road on how municipal advisors engage with elected officials and other market participants involved in the issuance of municipal securities. Moreover, municipal advisors having to state in their procedures whether they are aggregating all gifts on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any particular recipient ensures gifts are not given so frequently that they unduly influence the awarding of municipal advisor business. Finally, both the delayed compliance date for proposed Supplementary Material .06 with respect to supervisory and recordkeeping requirements and the exception for municipal advisors to certain supervisory requirements via reliance on

⁷⁶ 15 U.S.C. 78q-4(b)(2)(L)(iv).

Supplementary Material .03 of MSRB Rule G-44 would serve to reduce the regulatory burden on small municipal advisors in a manner consistent with Section 15B(b)(2)(L)(iv) of the Exchange Act.⁷⁷

The MSRB also believes that the proposed rule change is consistent with Section 15B(b)(2)(G) of the Exchange Act,⁷⁸ which provides that the MSRB's rules shall prescribe records to be made and kept by municipal securities brokers, municipal securities dealers, and municipal advisors and the periods for which such records shall be preserved. The MSRB believes that the proposed rule change related to recordkeeping requirements under MSRB Rule G-20 coupled with existing obligations under MSRB Rule G-8 would promote compliance with and facilitate enforcement of the proposed rule change by clarifying the records that must be preserved. The proposed rule change would also improve recordkeeping by specifying that gifts that are normal business dealings, de minimis gifts, promotional or commemorative items, personal gifts, bereavement gifts or donations due to federally declared major disasters are not subject to the recordkeeping requirements.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 15B(b)(2)(C) of the Exchange Act⁷⁹ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. In addition, Section 15B(b)(2)(L)(iv) of the Exchange Act⁸⁰ provides that

⁷⁷ Id.

⁷⁸ 15 U.S.C. 78o-4(b)(2)(G).

⁷⁹ 15 U.S.C. 78o-4(b)(2)(C).

⁸⁰ 15 U.S.C. 78o-4(b)(2)(L)(iv).

MSRB rules may not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons provided that there is robust protection of investors against fraud. In determining whether the standards have been met, the MSRB was guided by the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking.⁸¹ In accordance with this policy, the MSRB evaluated the potential impacts on competition of the proposed rule change and believes that the proposed rule change would not impose any unnecessary or inappropriate burden on competition, as the proposed rule change would align with the newly approved amendments to FINRA Rule 3220, on influencing or rewarding employees of others. In addition, the proposed rule change would be applied equally to all regulated entities (i.e., dealers and municipal advisors).

Based on the MSRB's analysis, the potential benefits of the proposed rule change would outweigh the potential costs of the change. The proposed rule change benefits dealers by aligning the gift limit in MSRB Rule G-20 with FINRA Rule 3220 that accounts for past and future inflationary increases. This consistency supports the development of uniform compliance processes and systems across both MSRB-regulated entities and FINRA-member firms.

⁸¹ See Policy on the Use of Economic Analysis in MSRB Rulemaking, available at <https://www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking>. In evaluating whether there was any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act, the MSRB was guided by its principles that required the MSRB to consider costs and benefits of a rule change, its impact on efficiency, capital formation and competition, and the main reasonable alternative regulatory approaches. For those rule changes which the MSRB files for immediate effectiveness under Section 19(b)(3)(A) of the Exchange Act (15 U.S.C. 78s(b)(3)(A)), including information facility rule filings, while not subject to the policy, the MSRB usually focuses its examination exclusively on the burden of competition on regulated entities, but may also include any additional economic analysis that the MSRB believes may inform the rulemaking process based on the facts and circumstances.

Currently, the \$100 gift limit in MSRB Rule G-20 was established in 1978 by the MSRB and by FINRA in 1992 without accounting for the inflation rate. The proposed amendments ensure that the gift limit remains the same between corresponding MSRB and FINRA rules to reduce unnecessary compliance burdens for firms. If the MSRB and FINRA maintained differing gift limits it may needlessly complicate and confuse the gifting process. In addition, the proposed rule change would increase the gift limit from \$100 to \$300 which would benefit regulated entities that engage in gift giving as part of the process to develop relationships and goodwill while also maintaining the protections for investors and public interest. Additionally, to align with the FINRA Rule 3220 changes when necessary, the proposed rule change includes supplementary material regarding gifts incidental to business entertainment, donations due to federally declared major disasters, supervision and recordkeeping and gifts to associated persons or individual retail customers.

The MSRB acknowledges that regulated entities would likely incur minor costs because of the proposed rule change, relative to the baseline state (current state). Regulated entities would be expected to incur one-time, upfront costs related to revising policies and procedures and training. The MSRB expects the proposed rule change to cost regulated entities \$4,229 as a one-time, upfront cost to review and implement the changes along with any needed staff training.⁸²

⁸² The MSRB estimates three hours for a compliance manager at \$393 per hour (3 X \$393 = \$1,179) to revise the firm policies and procedures, and one hour for in-house compliance counsel to review and edit any changes as needed (1 X \$463 = \$463). Staff also anticipates review by an outside legal counsel at \$630 per hour (1 X \$630 = \$630), review and sign off by a director of compliance at \$610 per hour (1 X \$610 = \$610), General Counsel at \$780 per hour (0.5 X \$780 = \$390) and the chief compliance officer at \$693 per hour (0.5 X \$693 = \$347). Lastly, staff anticipates one hour of training and education conducted by the director of compliance at \$610 per hour (1 X \$610 = \$610). Therefore, staff estimates that the total upfront costs would be \$4,229 (\$1,179 + \$463 + \$630 + \$610 + \$390 + \$347 + \$610 = \$4,229).

The MSRB does not expect any material incremental ongoing costs for compliance-related tasks, including recordkeeping.

Effect on Competition, Efficiency and Capital Formation

The MSRB believes that the proposed rule change would neither impose a burden on competition nor hinder capital formation, as the proposed rule change is applicable to all regulated entities and the ongoing costs should be proportional to entity size, and the upfront costs are relatively minor for all regulated entities. The proposed amendments to MSRB Rule G-20 would improve the municipal securities market's operational efficiency and promote regulatory harmony with FINRA's gift rules. At present, the MSRB is unable to quantitatively evaluate the magnitude of the efficiency gains or losses but believes the benefits from mostly aligning MSRB Rule G-20 with FINRA Rule 3220 would outweigh the upfront costs of revising policies and procedures, as well as the ongoing compliance and recordkeeping costs to regulated entities. The MSRB recognizes that small dealers, municipal advisors and especially sole proprietors may not employ full-time compliance staff and that the overall cost of ensuring compliance with the requirements of the proposed rule change may be proportionally higher for these smaller firms. Still, the MSRB expects the upfront costs to be minor for all firms and the ongoing costs should be proportional to the size of each regulated entity.

The hourly-rate data is gathered from a variety of Commission filings compiled by the MSRB for usage in economic analysis. The Commission's economic analysis utilizes the Securities Industry and Financial Markets Association's "Management & Professional Earnings in the Securities Industry—2013 Report" for the hourly rates of various financial industry market professionals. To compensate for inflation, the data reflects the 2025 hourly rate level after adjusting for the annual cumulative wage inflation rate of 47.3% between 2013 and 2025. See The Federal Reserve Bank of St. Louis Employment Cost Index: Wages and Salaries: Private Industry Workers, available at <https://fred.stlouisfed.org/series/ECIWAG>. The MSRB estimates the number of hours for each task based on MSRB's consultation with regulated entities' compliance officers.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received on the proposed rule change.⁸³

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Exchange Act⁸⁴ and Rule 19b-4(f)(6)⁸⁵ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-MSRB-2026-02 on the subject line.

⁸³ Comments received in response to FINRA’s gift rule amendment can be found at <https://www.sec.gov/comments/sr-finra-2025-003/srfinra2025003.htm>.

⁸⁴ 15 U.S.C. 78s(b)(3)(A).

⁸⁵ 17 CFR 240.19b-4(f)(6).

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2026-02. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the MSRB. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-MSRB-2026-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.⁸⁶

Sherry R. Haywood
Assistant Secretary

⁸⁶ 17 CFR 200.30-3(a)(12).

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.