

Client Alert

Providing Strategic Legal Guidance to the Financial Services Industry



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FINRA Proposes Amendments to The Gifts Rule

I. INTRODUCTION

On June 11, 2025, FINRA proposed amendments to Rule 3220 (Influencing or Rewarding Employees of Others) (the “Gifts Rule”) that would raise the annual gift limit per recipient to \$250 from \$100, as well as codifying additional interpretive material as discussed below.¹ The comment deadline for the proposed amendment to FINRA Rule 3220 is July 8, 2025.

II. OVERVIEW OF PROPOSED REVISIONS

The rule proposal would amend FINRA Rule 3220 to increase the gift limit from \$100 to \$250 per person per year. The proposed rule change would also incorporate and substantially codify existing guidance by adding supplementary material to address gifts incidental to business entertainment, valuation of gifts, aggregation of gifts, personal gifts, *de minimis* gifts, promotional or commemorative items, donations due to federally declared major disasters, and supervision and recordkeeping, as discussed below.

A. PROPOSED SUPPLEMENTARY MATERIAL .01 (GIFTS INCIDENTAL TO BUSINESS ENTERTAINMENT)

Under FINRA’s current guidance, there is no exclusion from the Gifts Rule for gifts given during the course of a business entertainment event. FINRA proposes to codify this guidance in Supplementary Material .01, which would provide that a gift given during the course of a business entertainment event is subject to the \$250 limit on gifts in paragraph (a) of the Gifts Rule unless it is a personal gift under proposed Rule 3220.04 (*de minimis* value) or a promotional or commemorative item under proposed Rule 3220.05. FINRA noted the following examples:

- Giving away non-branded clothing or electronics at a business entertainment event would be subject to the gift limit.

- However, pens or notepads of *de minimis* value given during a business entertainment event would not be subject to the gift limit provided the item meets the requirements of proposed Rule 3220.05. Similarly, a decorative plaque to commemorate a business transaction given during a business entertainment event would not be subject to the gift limit provided the gift meets the requirements of proposed Rule 3220.05.

B. PROPOSED SUPPLEMENTARY MATERIAL 3220.02 (VALUATION OF GIFTS)

The current guidance states that a member should value gifts at the higher of cost or market value, exclusive of tax and delivery charges. Likewise, under the current guidance, when valuing tickets to sporting or other events, a member must use the higher of cost or face value.

The proposed amendments include the following:

- *Gifts other than tickets to sporting or other events.* FINRA proposes to add Rule 3220.02, which would require that gifts (other than tickets to sporting or other events) be valued at cost, exclusive of tax and delivery charges. This would be a change from the current guidance in Notice to Members 06-69 which requires the valuation of gifts at the higher of cost or market value. FINRA states that codifying the requirement that a member value gifts at the higher of cost or market value would add complexity and subjectivity into the rule without adding a significant benefit as it may be difficult or burdensome for members and associated persons to determine the market value of such gifts.
- *Tickets to sporting or other events.* With respect to giving tickets to sporting or other events, consistent with the current guidance in Notice to Members 06-69, proposed Rule 3220.02 would require that the member use the higher of cost or face value.
- *Gifts to multiple recipients;* Current guidance provides that if gifts are given to multiple recipients, members 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. FINRA proposes to substantially codify this guidance in proposed Rule 3220.02.

C. PROPOSED SUPPLEMENTARY MATERIAL 3220.03 (AGGREGATION OF GIFTS)

Current Guidance. Under the current guidance, members must aggregate all gifts given by the member and each associated person of the member to a particular recipient over the course of the year.

Proposed Rule: FINRA proposes to add Rule 3220.03 to provide that members must aggregate all gifts given by the member and each associated person of the member to a particular recipient over the course of the year for purposes of ensuring compliance with the \$250 limit in paragraph (a) of the Gifts Rule. In addition, proposed Rule 3220.03 would provide that each member must state in its procedures whether it is aggregating all gifts given by the member and its associated persons on a calendar year, fiscal year, or on a rolling basis beginning with the first gift to any recipient.

Proposed Rule 3220.03 would also provide that the aggregation requirements do not apply to a personal gift under proposed Rule 3220.04, or to a gift of *de minimis* value or a promotional or commemorative item under proposed Rule 3220.05.

D. PROPOSED SUPPLEMENTARY MATERIAL 3220.04 (PERSONAL GIFTS)

Current Guidance. Under the current guidance, gifts that are given for infrequent life events (e.g., a wedding gift or a congratulatory gift for the birth of a child) are not subject to the restrictions in paragraph (a) of the Gifts Rule or the recordkeeping requirements in paragraph (c) of the rule, provided that the gifts are not in relation to the business of

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

In determining whether a gift is “in relation to the business of the employer of the recipient,” current guidance states that members should consider a number of factors, including the nature of any pre-existing personal or family relationship between the person giving the gift and the recipient, and whether the associated person paid for the gift. Current guidance states that when the member bears the cost of the gift, either directly or by reimbursing an associated person, FINRA presumes that such gift is not personal in nature and instead is in relation to the business of the employer of the recipient.

Proposed Rule. Consistent with current guidance, FINRA proposes to add Rule 3220.04 to provide that gifts that are given for infrequent life events (e.g., a wedding gift, a congratulatory gift for the birth of a child, or a bereavement gift) are not subject to the restrictions in paragraph (a) of the Gifts Rule or the recordkeeping requirements in paragraph (c) of the Gifts Rule, provided that the gifts are customary and reasonable, personal in nature, and not in relation to the business of the employer of the recipient. Consistent with the current guidance, proposed Rule 3220.04 would provide that in determining whether a gift is “personal in nature and not in relation to the business of the employer of the recipient,” members should consider a number of factors, including the nature of any pre-existing personal or family relationship between the person giving the gift and the recipient, and whether the associated person paid for the gift. It would also provide that when the member bears the cost of the gift, either directly or by reimbursing an associated person, FINRA presumes that such gift is not personal in nature and instead is in relation to the business of the employer of the recipient. FINRA believes this exception for personal gifts is appropriate because such gifts for infrequent life events do not typically create the types of improper incentives that the Gifts Rule seeks to avoid when gifts are given in relation to the business of the recipient’s employer.

E. PROPOSED FINRA RULE 3220.05, PART I (DE MINIMIS GIFTS)

Current Guidance. Under the current guidance, gifts given of a de minimis value (e.g., pens, notepads, or modest desk ornaments) or promotional items of nominal value that display the member’s logo (e.g., umbrellas, tote bags, or shirts) are not subject to the restrictions in paragraph (a) of the Gifts Rule or the recordkeeping requirements of paragraph (c) of the rule. The current guidance requires the value of de minimis or promotional items to be “substantially below” the current \$100 gift limit.

Proposed Rule. Consistent with the current guidance, FINRA proposes to add proposed Rule 3220.05(a) to provide that gifts of a de minimis value (e.g., pens, notepads, or modest desk ornaments) or promotional items of nominal value that display the member’s logo (e.g., umbrellas, tote bags, or shirts) are not subject to the restrictions in paragraph (a) of the Gifts Rule or the recordkeeping requirements in paragraph (c) of the rule. In addition, proposed Rule 3220.05(a) would provide that the value of the de minimis gift or promotional item must be substantially below the \$250 limit. Gifts valued in amounts above or near \$250 would not be considered nominal. FINRA believes it is appropriate to specify that de minimis gifts and promotional items must have a value substantially below the proposed \$250 limit because such items often have utility.

F. PROPOSED FINRA RULE 3220.05, PART II (PROMOTIONAL OR COMMEMORATIVE ITEMS)

Current Guidance. Under the current guidance, customary Lucite stones, plaques, or other similar solely decorative items commemorating a business transaction are not subject to the restrictions in paragraph (a) of the Gifts Rule or the recordkeeping requirement of paragraph (c) of the rule, even when such items have a cost of more than \$100.

Proposed Rule. Consistent with the current guidance, FINRA proposes to add proposed Rule 3220.05(b) to provide that “customary and reasonable solely decorative items commemorating a business transaction” are not subject to the restrictions in paragraph (a) of the Gifts Rule or the recordkeeping requirements in paragraph (c) of the rule. For example, FINRA states, Lucite stones, plaques, or other similar customary and reasonable solely decorative items commemorating a business transaction would be excluded from the requirements of the Gifts Rule, even when such items have a cost of more than \$250. FINRA does not believe it is necessary to explicitly limit the value of customary commemorative items because they must be solely decorative. Thus, the restrictions of the Gifts Rule would apply where the item is not solely decorative, irrespective of whether the item was intended to commemorate a business transaction. Thus, FINRA states, providing employees of an institutional customer with elaborate electronic equipment following the closing of a transaction would be subject to the gift limit.

G. PROPOSED FINRA RULE 3220.06 (DONATIONS DUE TO FEDERALLY DECLARED MAJOR DISASTERS)

Current Guidance. FINRA has published a Disaster-Related Donations FAQ to address whether it would be consistent with the Gifts Rule for a member or an associated person to donate goods or money (either directly or through a fundraising platform) to employees of an Institutional Customer for losses sustained due to a federally declared major disaster. As stated in the Disaster-Related Donations FAQ, FINRA had not previously addressed the application of Rule 3220(a) to donations to employees of an Institutional Customer to help such individuals with 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. Due to the nature of such disasters, which are unpredictable and catastrophic, FINRA does not consider donations by a member or an associated person to an employee of an Institutional Customer to aid the individual in connection with such a disaster to be “in relation to the business of the employer of the recipient” for purposes of Rule 3220(a).

Proposed Rule. Consistent with the current guidance in the Disaster-Related Donations FAQ, FINRA proposes to add Rule 3220.06 to provide that donations by a member or an associated person to any person, principal, proprietor, employee, agent or representative of another person to provide assistance to the individual for losses sustained in a natural event that the President has declared to be a major disaster, such as a wildfire, hurricane, tornado, earthquake, or flood, are not considered “in relation to the business of the employer of the recipient” for purposes of Rule 3220(a).

H. PROPOSED FINRA RULE 3220.07 (SUPERVISION AND RECORDKEEPING)

FINRA proposes to add proposed Rule 3220.07, which provides that to have a supervisory system reasonably designed to achieve compliance with the Gifts Rule and its requirement that members maintain separate records regarding all payments or gratuities, members are required to have systems and procedures reasonably designed to ensure that payments and gratuities in relation to the business of the employer of the recipient given by the member and its associated persons to employees of another person are: (i) reported to the member; (ii) reviewed for compliance with the Gifts Rule; and (iii) maintained in the member’s records. The proposed supplementary material would require procedures that

- Are reasonably designed so that the associated person providing the gift is not responsible for determining its business purpose, which would ensure objectivity in evaluating whether a gift is personal or related to the recipient’s employer’s business. FINRA favors having a person other than the gift-giver assess whether the gift is personal, to avoid conflicts of interest.

Recordkeeping requirements would not apply to the following categories of gifts: Personal gifts, *de minimis* gifts, promotional or commemorative items, and donations resulting from federally declared major disasters.

Although recordkeeping is not mandatory for excluded gifts, members are encouraged to implement a reasonable process to assess whether such gifts comply with the Gifts Rule. As such, FINRA acknowledges that there are various ways to supervise and assess compliance and encourages members to tailor their systems and procedures based on individual needs and business models.

I. PROPOSED FINRA RULE 3220.08 (GIFTS TO A MEMBER'S ASSOCIATED PERSONS OR INDIVIDUAL RETAIL CUSTOMERS)

Currently, by its terms, the Gifts Rule does not apply to gifts a member gives to its own associated persons or to gifts a member or a member's associated person gives to individual retail customers. However, FINRA states that it is aware that there may be some misunderstanding about the scope of the Gifts Rule, particularly regarding its application to gifts from a member or its associated persons to individual retail customers.

To clarify the scope of the Gifts Rule and improve awareness and understanding of its scope among members, associated persons, and customers, FINRA is proposing to add Rule 3220.08 to state expressly that the Gifts Rule does not apply to gifts from a member to its own associated persons, or to gifts from a member or an associated person to individual retail customers, explaining that:

The Gifts Rule is intended to avoid improprieties, such as conflicts of interest, that may arise when a member or an associated person gives items of value to an employee of an Institutional Customer with the hope of strengthening the business relationship with the Institutional Customer. It is not intended to address potential conflicts that may arise from a member giving a gift to its own associated persons, or a member or an associated person giving a gift to individual retail customers.

III. CONCLUSION

The proposed amendments to FINRA Rule 3220 reflect a comprehensive and long-overdue modernization of the Gifts Rule, incorporating nearly two decades of interpretive guidance into a more transparent format. By increasing the gift limit from \$100 to \$250 and delineating the scope of permissible conduct through supplementary rules—addressing issues such as personal gifts, business entertainment, *de minimis* items, commemorative gifts, disaster-related donations, and aggregation—FINRA seeks to strike a more practical balance between ethical safeguards and the realities of modern business practices. The comment period deadline for these proposed amendments ends on July 8, 2025.

Broker-dealers and associated persons may prepare for the adoption of these revisions by reviewing and updating their internal supervisory systems, recordkeeping practices, and training protocols in accordance with these new rules. Firms should also consider delineating gift categories in their compliance manuals and ensuring that responsibility for gift delineation does not rest solely with the gift-giver.

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¹ FINRA's rule proposal is available at <https://www.finra.org/sites/default/files/2025-06/2025-003-90-FR-25674.pdf>.