

3 GENERAL EMPLOYEE POLICIES

3.5 Gifts, Gratuities, and Entertainment

[FINRA Rule 2310(c)(2)(A), 2320(g)(4)(A), 2341(l)(5) and 3220; FINRA FAQs:

<https://link.edgepilot.com/s/55d23a57/gIVpBJJgE06xkTj8tlhDnQ?u=https://www.finra.org/rules-guidance/key-topics/gifts-gratuities-and-non-cash-compensation/faqs>; FINRA guidance: <https://link.edgepilot.com/s/1c493ce2/Rx7c69-n8Eu6Z8tJ9RH6sQ?u=https://www.finra.org/rules-guidance/key-topics/gifts-gratuities-and-non-cash-compensation>]

For purposes of this section, the following terms shall have the stated meanings:

"Gifts and Gratuities" are anything of value given by a firm or associated person to an employee of a customer that is not contained within a compensation agreement or employment arrangement. A gift of any kind is considered a gratuity. (FINRA Rule 3060; MSRB Rule G-20.)

"Entertainment" is broadly defined to include hosting a customer at a social event, e.g., a concert, a sporting event, a play, or a meal. Entertainment is deemed capable of influencing a customer's employee in the same way as Gifts and Gratuities. Acceptable **"Business Entertainment"** is defined as an occasional meal, event ticket or comparable entertainment that is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a sales target. If a person from the Firm is not present at the entertainment event, it is considered a gift. Vendors, such as mutual fund companies, insurance companies, etc., may from time to time conduct training and educational meetings, which are paid for or reimbursed by the vendor. In order to comply with FINRA rules, the vendors must meet the following enumerated conditions:

- i. prior approval by the Firm,
- ii. participation is not conditioned on a sales target or any other incentive by either the Firm or offeror,
- iii. appropriate location, and
- iv. no payment for guests.

Note: Proposed changes to FINRA Rules 3060 and IM3060 exclude business entertainment provided to natural person customers.

"Pay-to-Play" is generally defined to include political contributions or other payments, which can include gifts and entertainment, to public officials where a firm is rewarded a contract, e.g., public pension funds management, a municipal securities underwriting. State Laws generally prohibit pay-to-play regimes where a contractor doing business with a state employee or official makes political contributions or entertains or makes gifts to those persons with the hope of being awarded or retaining business with the city or state entity for which that official or employee works. Investment Advisers Act Rule 206(4)-5 ("Pay to Play" Restrictions) would adopt an approach similar to MSRB rules G-37 and G-38 for investment advisers seeking public fund clients. While primarily focused on pension funds, the rule is intended to address all public (state and municipal) managed funds.

"Personal Gifts" are defined as gifts to or from immediate family members (parents, children, grandparents, siblings, spouses, in-laws) who also happen to be customers, where the gift is unrelated to the Firm's business. Personal Gifts are excluded from the Firm's *Gifts, Gratuities, and Entertainment* Policy. Examples of Personal Gifts include a wedding gift or a congratulatory gift for the birth of a child.

Gifts, Gratuities, and Entertainment are subject to regulators' limitations. Failure to comply may result in fines or other regulatory actions against the employee and the Firm. It is important for all employees to know and comply with this policy. Questions regarding this policy on gifts and entertainment should be discussed with your Supervisor and/or Compliance. The Firm's *Gifts, Gratuities, and Entertainment* Policy applies regardless of whether the employee seeks reimbursement for the expense.

3.5.1 Gifts To Others

The requirements below do not apply to gifts given to BRWM employees by BRWM employees.

Key requirements related to this section include:

- Gifts given to others relating to the Firm's business is limited to \$100 per year per person (other than "Personal Gifts" as defined above).
- Gifts given to others relating to the Firm's business must be recorded on the Firm's Supervisory System.
 - Example: Firm business gifts might include holiday fruit baskets to numerous customers or golf umbrellas to several customers attending a golf outing.
- Gifts given incidental to entertainment (e.g., a golf shirt given during a golf outing, etc.) are considered gifts subject to reporting limits and must be reported on the BRWM Expense Report if reimbursed. If not reimbursed, it still must be reported on the appropriate Supervisory System's Gift Questionnaire.
 - Example: The cost of a golf outing which the RR attends along with clients, i.e., the green fee, cart, and meal are considered entertainment; therefore, the \$100 limitation per person per year does not apply. However, the purchase of a golf umbrella for \$50 and a golf shirt for \$75 for each client would be considered gifts, not part of the outing or entertainment and would violate the \$100 per person per year policy.
- An employee must host entertainment to avoid entertainment being considered a "gift" subject to the \$100 per year per person limitation.
 - Example: If a client attends a sporting event and the Firm employee is not present at the event, the sporting event is considered a gift and is subject to limitations.
- The Firm's *Gifts, Gratuities, and Entertainment* Policy applies regardless of whether the Firm employee seeks reimbursement for the expense.
- Employees of regulators are also subject to rule limitations regarding gifts to them from broker-dealers and their employees. Compliance should be contacted for guidance before giving gifts to employees of regulators.
- Gifts and gratuities are not permitted when given for the purpose of influencing or rewarding the action of a person in connection with the publication of information which has or is intended to have an effect upon the market price of any security.

3.5.1.1 De Minimis and Promotional Items

The policy does not apply to gifts of *de minimis* value (such as pens, notepads, or modest desk ornaments) or to promotional items of nominal value with the Firm's logo (e.g., umbrellas, tote bags, or shirts). Promotional items must be valued substantially below the \$100 limit to be excluded from the gift policy. Items of higher value (near \$100 or more), even if they include the Firm's logo, are considered "gifts" subject to this policy.

FINRA excludes customary lucite tombstones, plaques, or other decorative items commemorating a business transaction. This exemption is very limited; other items are considered gifts subject to the policy, even if they commemorate a business transaction.

3.5.1.2 Aggregation of Gifts

The annual gift limitation is the aggregate of all gifts given to any one individual. For example, a gift of a \$75.00 ticket to a football game in November (as a gift and not as entertainment discussed below) and then a holiday gift of a \$50 bottle of wine to the same person in the same year would be in violation of the \$100 limitation.

Each recipient is limited to \$100 in **total** gifts during any calendar year.

3.5.1.3 Valuation of Gifts

Gifts are valued at the higher of cost or market value excluding tax and delivery charges. For tickets, it is the higher of cost or face value. If gifts are given to multiple recipients, the names of all recipients are recorded, and the value of the gift is prorated among recipients. For example, a \$250 fruit basket given to an office of three (3) individuals is permitted since the value of the gift prorated is less than the \$100 limitation per person.

3.5.2 Accepting Gifts

Key requirements related to accepting gifts include:

- Accepting gifts from customers or other business-related persons is limited to \$100 per year per person (other than "personal gifts" as defined above).
- When accepting gifts from customers or other business-related persons, the employee is required to record such gift on the appropriate Supervisory System.
- Employees may not solicit gifts or gratuities from customers or other persons with business dealings with BRWM.
- Employees are not permitted to accept gifts from outside vendors currently doing business with BRWM or seeking future business without the written approval of Compliance. This policy does not include customary business lunches or entertainment; promotional items (caps, T-shirts, pens, *etc.*); or gifts of nominal (less than \$100.00) value.

3.5.3 Entertainment

Key requirements related to entertainment include:

- Entertainment must be reported on the appropriate Supervisory System.
- Records of entertainment must include details of who was entertained, the nature of the entertainment, and the cost or fair market value of the entertainment.
- An employee must host entertainment to avoid entertainment being considered a "gift" subject to the \$100 per year per person limitation.
 - Example: If a client attends a sporting event and the Firm employee is not present at the event, the sporting event is considered a gift and is subject to limitations.
- Gifts incidental to entertainment (e.g., a golf shirt given during a golf outing, *etc.*) are considered gifts subject to reporting limits and must be reported on the BRWM Expense Report if reimbursed. If not reimbursed, it must be reported on the Gift Questionnaire.
 - Example: The cost of a golf outing which the RR attends along with clients, i.e. the green fee, cart, and meal, are considered entertainment, therefore the \$100 limitation per person per year does not apply. However, the purchase of a golf umbrella for \$50 and a golf shirt for \$75 for each client would be considered gifts, not part of the outing or entertainment and would violate the \$100 per person per year policy.
- Customer entertainment should not include overnight travel unless the destination is an industry or firm sponsored event. Designated Supervisor pre-approval is required for all customer entertainment that involves overnight travel regardless if it is an industry or Firm sponsored event.
- Compliance or Accounting pre-approval is required for all customer entertainment that includes spouses or family members of customers if BRWM is to pay for the entertainment of family members.
- The Firm's Gifts, Gratuities, and Entertainment Policy applies regardless of whether the Firm employee seeks reimbursement for the expense.

B. Riley Wealth Management, Inc.

"Entertainment" includes a broad range of activities such as trips, parties, and other activities where an employee hosts someone related to BRWM's business. Questions regarding the reasonableness of proposed entertainment and related expenses should be referred to Compliance or Accounting.

3.5.3.1 Gifts Incidental to Business Entertainment

Items given in conjunction with entertainment (e.g., a golf shirt at a golf outing; a fruit basket delivered to a customer's room during a Firm outing) are considered gifts subject to the \$100 limitation and must be reported on the BRWM Expense Report, if reimbursed. If not reimbursed, it still must be reported on the appropriate Supervisory System Gift Questionnaire.

For example, the cost of a golf outing which the RR attends along with clients, i.e., the green fee, cart, and meal are considered entertainment; therefore, the \$100 limitation per person per year does not apply. However, the purchase of a golf umbrella for \$50 and a golf shirt for \$75 for each client would be considered gifts, not part of the outing or entertainment, and would violate the \$100 per person per year policy.

3.5.4 Gifts, Loans, and Entertainment Involving Unions and Union-Affiliated Individuals

Responsibility	<ul style="list-style-type: none">• Designated Supervisor
Resources	<ul style="list-style-type: none">• Expense reports• Annual Employee Certification
Frequency	<ul style="list-style-type: none">• Annual
Action	<ul style="list-style-type: none">• File Form LM-10 within 90 days of fiscal year end• Include reportable gifts, loans, entertainment, <i>etc.</i> excluding de minimis amounts of \$250 or less• Review Annual Employee Certifications to identify union-related gifts, loans, <i>etc.</i> and follow up to include item in annual reporting on Form LM-10
Record	<ul style="list-style-type: none">• Vouchers, worksheets, receipts, and other records• Filed Form LM-10 (retained for 5 years)• Gift Approval Forms• Annual Employee Certifications with notes of action taken, if any

The Department of Labor (DOL), under a federal act, requires BRWM to report any payment or loan, direct or indirect, of money or other things of value (including reimbursed expenses), or any promise or agreement to make such payments, to any labor organization or officer, agent, shop steward or other representative or employee of a labor organization. This includes entertainment (cost of meals, *etc.*), expenses, or giving gifts or other things that exceed \$250 in value where the recipient or beneficiary involves a union or union-affiliated individual.

When reporting gifts, entertainment, loans, and other payments, employees must identify when a union or union-affiliated individual is involved. Employees are obligated to report such items to BRWM regardless of the dollar amount involved.

B. Riley Wealth Management, Inc.

Prior approval by the Designated Supervisor and/or Compliance is required for Gifts and Entertainment involving union or union-affiliated individuals. Gifts and Entertainment involving union or union-affiliated individuals must be recorded in the appropriate Supervisory System.

3.5.5 Gifts or Payments To Public Officials Under State Laws

[Various state laws]

A **"public official"** is anyone who is elected or appointed to an office or is an employee of a "public entity" including any teacher or professor employed by a public entity.

A **"public entity"** is broadly defined and includes political bodies, municipalities, and their governing bodies (school district, school board, etc.), public universities and colleges as well as any other municipal entity.

This policy also includes honorarium payments (payments for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, or similar gathering.)

Some public entities are statutorily authorized to charge the cost of inspections of regulated entities. A public official may, therefore, receive payment for statutorily-authorized expenses. For example, if a state securities official appears at an office to conduct an inspection, the state may, if authorized in state statutes, charge the Firm for expenses related to conducting the inspection.

Prior approval from the Designated Supervisor and/or Compliance is required for Gifts and Entertainment involving public officials. Gifts and Entertainment involving public officials must be recorded on the appropriate Supervisory System.