

FINRA Issues Guidance on Virtual Business Entertainment

With the influx of virtual business meetings resulting from the pandemic, FINRA recently issued an [FAQ](#) on how non-in-person events should be treated pursuant to entertainment, gifts, and noncash compensation rules. Specifically, FINRA addressed whether it is allowable for an [associated person](#) to host virtual business entertainment events or video conferencing with the employees of an institutional customer or third-party broker-dealer and provide food and beverage to be consumed during the event. The guidance is limited to interactions with representatives of institutional customers. FINRA [Rule 3220](#) prohibits any FINRA member or person associated with a FINRA member from giving, directly or indirectly, anything of value in excess of \$100 per year to any person where such payment is in relation to the business of the recipient's employer. FINRA staff interpreted Rule 3220 to permit business entertainment of a FINRA member's clients and their guests in amounts greater than \$100 as long as it "is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a sales target." The recent FINRA guidance extends this FINRA staff interpretation to virtual business entertainment events in which associated persons provide food and beverage for the attendees. **Guidelines for Virtual Events** To rely on this recent guidance, member firms must meet certain conditions:

- As hosts, the associated persons of FINRA members who send the food and beverage should control who can participate in the meeting, interact with each participant during the meeting, and remain present and visible throughout the meeting, which may be part of a larger video setting involving entertainment.
- The FINRA member firm or its associated persons should not provide any other cash or noncash compensation (such as gift cards or other nonfood items) to the recipient employees or their guests.
- FINRA members should supervise these meetings and events and maintain records, including a description, the amount, and the value of the food and beverages in a manner similar to in-person meetings and events.

As the pandemic continues to require virtual meetings, the guidance helps clarify for FINRA members and their associated persons that by meeting certain requirements, they can host virtual business entertainment events as well as provide food and beverages.

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