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REGULATORY NEWS & COMPLIANCE BEST PRACTICES

Enliven training around your gifts and entertainment policy with examples

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Try this the next time you hold a session to remind staff of your firm's gifts and entertainment policy: Keep it short and fill the time with real-life or hypothetical examples, such as accepting a vendor's invite to hop on a private flight or to be whisked away to an expensive sporting event via chauffeured-driven limousine.

Training with examples turns the subject from the theoretical and it "becomes more concrete" for staff, **Veronica Stork**, CCO at **Trilogy Global Advisors** in New York, has found. [Click
here to pass along examples you use in training; we'll share them next week.]

A convenient real-life example tees off each May down the road from **Augustine Asset Management** in Jacksonville, Fla., says CCO **Fred Blum**. That's when the annual PGA Players Tournament in nearby Ponte Vedra Beach, Fla., comes to town. Blum uses it to illustrate acceptable and non-acceptable gifts and entertainment according to the firm's policies.

"The tickets aren't that expensive; it's everything else," he says, such as invitations from vendors to enjoy a sumptuous feast at a five-star restaurant after the golfers leave the course. Augustine recently raised its gift limit from $100 to $150, and unlike a lot of firms also places the same dollar limit on entertainment.

Gifts vs. entertainment

What constitutes a gift vs. entertainment? If a vendor gives you tickets, that's a gift. If the vendor accompanies you to the show, that's entertainment, says **Ann Oglanian**, president of **ReGroup** in San Francisco. "Entertainment is trickier" because it's difficult to set a dollar limit on it, unlike with gifts, she says.

For entertainment, CCOs should hear all the facts before deciding whether it would violate the firm's policy, she says. For instance, if you heard that a trader got an invitation to a sporting event, you might stop your line of questioning there. But more questions could reveal the game happens to be in Atlanta and the vendor is flying the trader on his private jet.

Gifts and entertainment go both ways. **Michelle Heyne-Wyrick**, CCO at **McAdams Wright Regan** in Seattle, reminds her staff that "'it's what you give people and what people give you.'" A $100 gift limit applies to everyone in the firm but it has no such dollar limit for entertainment. For that, "we talk about the standards of reasonableness and appearance of impropriety." Questions asked: Is the event lavish? Would you be swayed by it?

Questions Oglanian suggests you ask include: is your spouse going, who's providing the entertainment and who else will be in attendance? Also ask about lodging and whether it would include temptations like luxurious spa treatments for the employee's spouse.

Oglanian cautions CCOs about jaw-dropping reactions when hearing about entertainment offers. High rollers are accustomed, e.g., to private air travel. CCOs "just don't play in that world," she says, but they need to appreciate that the people traders sometimes deal with do.

Reverse certification

She recommends you send out a "reverse certification" each quarter to staff that puts them on notice that the firm is assuming they've received no gifts but, if this isn't the case, the employee is to promptly notify the CCO.

"You have to put the responsibility on the employee to report" but the notice serves to remind them, she says. "We want to help them to remember" their responsibility.

It's a good practice to have employees each quarter acknowledge they are aware of your firm's gift policy via personal transaction reporting, suggests **Michelle Kennedy**, president of **Compass Compliance Services** in Greenwood, S.C. Language she has used reads:

I am familiar with our firm's gift policy and I have not without seeking the prior approval of the CCO: a) received or provided any gift, service, or other item of more than $100 value from/to any person or entity that does business with or on behalf of our firm; b) provided any gift or entertainment of any amount to an ERISA plan fiduciary.

Your code of ethics also can define what the firm considers to be a conflict:

Access Persons should not accept/(or give) inappropriate gifts, favors, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel beholden to a person or firm.

A CCO at a Minnesota firm revised her code of ethics last year, including tweaking the firm's gifts and entertainment policies. While she declined to share her exact policy, she did agree to give you a look at 17 guidelines for the policy. It also includes mention of political contributions. Here's an example of one of the guidelines:

Employees may "not" participate in an entertainment event if the following circumstances exist, unless prior approval is obtained from their Manager or the Chief Compliance Officer: 1) ticket has a face value above $200; 2) the host is unable to attend the event; 3) the event is unusual or high profile (e.g., a major sporting event), or 4) any other opportunity not otherwise described herein.

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