



BZX Regulatory Circular 15-008
BYX Regulatory Circular 15-008

EDGA Regulatory Circular 15-008
EDGX Regulatory Circular 15-008

Date: October 20, 2015

To: Members of BATS Exchange, Inc., BATS Y-Exchange, Inc., EDGA Exchange, Inc. and EDGX Exchange, Inc.

From: Membership Services

Re: Exchange Guidelines on Gifts and Gratuities

BATS Exchange, Inc. (“BZX”), BATS Y-Exchange, Inc. (“BYX”), EDGA Exchange, Inc. (“EDGA”) and EDGX Exchange, Inc. (“EDGX”, and together with BZX, BYX and EDGA, the “Exchanges”) would like to inform its Members of recent rule changes to BZX Rule 3.22 and BYX Rule 3.22, formerly entitled “Gratuities” and now entitled “Influencing or Rewarding Employees of Others” and recently adopted EDGA Rule 3.20 and EDGX Rule 3.20, also entitled “Influencing or Rewarding Employees of Others”. The adopted Rules are substantially the same as FINRA Rule 3220. The effective date is October 30, 2015.

Rule Provisions

The adopted Rules prohibit gifts in excess of \$100 per individual per year. Specifically, Members are prohibited from giving anything of value, including gratuities, in excess of \$100 per individual per year where the gift or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. A gift of any kind is considered a gratuity.

FINRA’s interpretive guidance related to FINRA Rule 3220 is considered part of the adopted rules. Exchange-only Members that may not also be FINRA Members, as well as Members registered with FINRA, are required to regulate their conduct according to the Exchanges’ Rules and the interpretive guidance related to FINRA Rule 3220.^[1]

The adopted Rules also contain an express exclusions made pursuant to bona-fide, written employment contracts. Payments made pursuant to bona fide, written employment contracts are exempt provided that there is in existence prior to the time of employment or before the services are rendered, a written agreement between the Member and the person who is to be employed to perform such services. Such agreement shall include the nature of the proposed employment, the amount of the proposed compensation, and the written consent of such person’s employer or principal.

^[1] See, e.g., FINRA’s interpretative guidance concerning business entertainment expenses, including a June 24, 1999, Letter to Henry H. Hopkins and Sarah McCafferty, T. Rowe Price Investment Services, Inc. This interpretative letter and other interpretive guidance concerning gifts and gratuities expenses are currently available at FINRA’s web site: www.finra.org.

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Recordkeeping Requirement

Members are required to maintain a separate record of all gifts or gratuities in any amount known to the member, as well as any employee agreement and employment compensation paid as a result thereof. Records are required to be retained by the Member for the period specified by Exchange Act Rule 17a-4.

See [SR-BATS-2015-79](#)

See [SR-BYX-2015-43](#)

See [SR-EDGA-2015-39](#)

See [SR-EDGX-2015-44](#)

Please contact Membership Services at 913.815.7002 with any inquiries regarding this Regulatory Circular.