

MEMO# 12324

July 20, 2000

NASDR ISSUES ADDITIONAL GUIDANCE ON NON-CASH COMPENSATION PAID IN CONNECTION WITH TRAINING OR EDUCATION MEETINGS

[12324] July 20, 2000 TO: COMPLIANCE ADVISORY COMMITTEE No. 27-00 SEC RULES MEMBERS No. 50-00 RE: NASDR ISSUES ADDITIONAL GUIDANCE ON NON-CASH COMPENSATION PAID IN CONNECTION WITH TRAINING OR EDUCATION MEETINGS NASD Regulation, Inc. recently published additional guidance regarding NASD Conduct Rule 2830, which generally prohibits the payment of any form of compensation from third-party offerors to associated persons of an NASD member. The training or education exception to this rule (i.e., Rule 2830(l)(5)(C)), permits payments or reimbursement in connection with meetings held to train or educate associated persons subject to the following conditions: • Members must comply with the recordkeeping requirement provided in subparagraph 2830(l)(3) of the non-cash compensation rule; • The associated person must obtain prior approval to attend the meeting by the employing member, and attendance may not be preconditioned on the achievement of a sales target or any other non-cash compensation arrangement incentives; • The location of the meeting must be appropriate to the purpose of the meeting, which generally means an office of the member or offeror, or a facility located in the vicinity of such office; • The payment or reimbursement by an offeror may not be applied to the expenses of a guest; and • The offeror's payment of reimbursement may not be preconditioned on the achievement of a sales target or other non-cash compensation arrangement. NASDR has clarified the appropriateness of payments or reimbursements by offerors for training or education meetings that extend beyond the time necessary for the actual meeting and for other activities such as tours, golf outings, and other forms of entertainment. According to NASDR, while training meetings should occupy substantially all of the work day, payment or reimbursement for any associated meals, lodging, and transportation would be permissible, but reimbursement or payment for golf outings, tours, or other forms of entertainment while at the location for the purpose of training would not be permissible. NASDR recommends that offerors use their own internal employee expense reimbursement policies as a guide when planning for training or education meetings. Offerors may consider allowing an additional night's stay when the additional night reduces the meeting's net lodging and transportation expenses. A copy of NASDR's views on this issue is attached. Tamara Reed Associate Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment to which this memo refers, please call the ICI Library at (202) 326-8304 and request the attachment for memo 12324. ICI Members may retrieve this memo and its attachment from ICINet (<http://members.ici.org>). Attachment (in .pdf format)

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