

GIFTS, GRATUITIES AND CONTRIBUTIONS

Industry Challenge

Regulators continue to make conflicts of interest a top priority and have increased their vigilance with respect to gifts and entertainment regulations. The SEC, FINRA, state departments of insurance, OCC, FDIC, and other federal regulators, as well as international supervisory bodies, have placed gifts and entertainment management and other conflicts of interest high on the list of topics of focus for regulatory examinations and audits, and have frequently cited failures as the catalyst for a series of costly and high profile fines and penalties levied against financial services firms in recent years.

Spreadsheet-based tools, collaborative software and internally-built solutions, once adequate for managing a specific conflict of interest category, such as gifts and entertainment, for a subset of employees, will no longer suffice. Conflicts of interest has evolved into a complex compliance management issue that requires a consistent and methodical process for the submission, approval and tracking of requests and their fulfillment related to gifts and entertainment, political contributions, personal trading, outside business activities, and other potential conflicts of interest. As regulatory scrutiny has increased, so have the financial and reputational consequences associated with non-compliance.

Tracking gifts, entertainment and non-cash compensation across hundreds to tens of thousands of employees presents a daunting challenge. The approval process must vary based on the individual's role in the organizational and supervisory structure, and, in the case of covered persons and specific roles in the business, the approval process can be complex and involve multiple reviewers. A process that facilitates the approval of discrete G&E items alone is not adequate --- while a single gift to a client may be within the organization's accepted thresholds, multiple gifts over time to that same client could violate internal G&E policies, or worse, result in a compliance breach. In addition, because of the data entry burden that G&E reporting creates on employees, gaining broad adherence to G&E policies is often elusive, potentially placing the firm at compliance, financial and reputational risk. Monitoring to ensure ethical behavior across the employee population is often impossible, because the firm has no way to bring critical data related to gifts given and received, into a single view to identify outliers and negative trends that could result in consequences.

To ensure compliance, companies must install organization-wide procedures and technology to enable the efficient review, approval, management and monitoring of gift and entertainment requests against firm-defined thresholds, so that all gifts, regardless of the amount or point of origination, are tracked accurately.

RegEd Solution

Enterprise Gifts, Gratuities and Contributions is part of RegEd's *Conflicts of Interest Solution Suite*, which comprises five modules that can be implemented individually or together. The solution automates the monitoring and management of gifts, entertainment and non-cash compensation to instill confidence that best practices are embedded in the organization's compliance program. The solution is fully configurable and can be readily adapted to the firm's organizational hierarchy and compliance work processes.

Gifts, Gratuities and Contributions streamlines the compliance process for covered and non-covered persons who are subject to the policy. Submitters access the system's intuitive, web-based interface, and enter details related to gifts, entertainment or other non-cash compensation, given or received. The system calculates the total against the firm-defined threshold and notification is automatically sent to designated recipients. Sophisticated workflow management directs pre-clearance requests through a firm-defined workflow. Approvers can approve or reject the request, and full documentation is captured by the system. Alerts are automatically sent to compliance, managers and other designated individuals when a limit is violated. In addition, firms can implement their own business rules to create event-driven email notifications.

Centralized management of submissions and approvals is facilitated by the system and stakeholders can efficiently manage by exception and readily communicate on submitted requests, reducing review time and speeding the decision process. Full tracking capabilities enable Compliance, managers and other stakeholders to holistically monitor the exchange of gifts, gratuities and other non-cash compensation, track the preclearance approval process and identify limit violations.

Gifts, Gratuities and Contributions, along with the other RegEd *Conflicts of Interests* applications, captures documentation related to requests, approvals, exceptions and other information. Reports can be generated on-demand or using pre-defined report formats. Comprehensive reporting and full audit trails provide valuable documentation to satisfy requests from internal stakeholders and regulators.

RELATED SOLUTIONS

[Gifts, Gratuities and Contributions](#)

[Outside Business Activities \(OBA\)](#)

[Personal Securities Accounts](#)

[Conflicts of Interest Questionnaires](#)

Distinguishing Capabilities

- **Manage the end-to-end process.** Track exchange of gifts, entertainment and non-cash compensation by person and category; route submissions via a pre-approval workflow leveraging the firm's supervisory and organizational hierarchy; automate notifications to supervisors, compliance and other stakeholders when gifts, gratuities or other contributions are given or received; identify and flag limit violations that exceed regulatory and other established thresholds; and, generate comprehensive reports by recipient, category, date range and other parameters.
- **Set multiple, customizable thresholds.** Evaluate gifts and entertainment submissions at a line item (or individual) level of a request in addition to an overall decision on the request. In addition, this feature permits firms to establish multiple thresholds by category, each with its own threshold aligned to the firm's corresponding policy or regulatory rule.

- **View previous gifts given or received.** Employees can view previous gifts or entertainment related to a specific recipient or giver to avoid exceeding contribution thresholds.
- **Add comments and attach receipts.** Employees can add comments about a client or the gift or entertainment given or received, as well as attach receipts or supporting documents to aid supervisors and compliance officers in evaluating the request.
- **Establish threshold flags and exceptions tags.** Flag a request if actual gift amount exceeds the threshold of estimated amount and assign exceptions tags to authorized individuals to override threshold violations and remain compliant with the firm's policies.
- **Trigger email notifications.** Automatically triggers emails to the employee when a gift and entertainment threshold is exceeded. Supervisors can tag specific individuals as high risk and prevent gift and gratuities approvals to be processed, reducing firm risk and avoiding rule violations.
- **Import contacts from HR / CRM systems.** Import client contact information, such as name, title, company, address, telephone and email, from the firm's HR or CRM system to streamline the submission process.
- **Import expense transaction details from client expense applications.** Import details of expense transactions, such as transaction date, amount, payee and expense category, directly from the organization's expense management system to streamline the submission process.
- **Set reserve amounts.** Employees can temporarily reserve a monetary amount in advance of an upcoming client visit or activity and later adjust the amount to the actual that was paid or received. This reduces potential for threshold violations when several employees request gift submissions for the same client.
- **Maintain strong oversight across the organization.** RegEd's *SCORE® Compliance Dashboard* provides a powerful, customizable compliance dashboard which enables supervisors and stakeholders to monitor and identify G&E submissions and violations and other conflicts against set thresholds, and alert stakeholders to critical exceptions. This enables stakeholders to identify negative trends and make timely decisions before the firm is exposed to potential risk.

About RegEd, Inc.

RegEd is the market-leading provider of RegTech enterprise solutions with relationships with hundreds of enterprise clients, including 80% of the top 25 financial services firms.

Established in 2000 by former regulators, the company is recognized for continuous regulatory technology innovation with solutions hallmarked by workflow-directed processes, data integration, regulatory intelligence, automated validations, business process automation and compliance dashboards. The aggregate drives the highest levels of operational efficiency and enables our clients to cost-effectively comply with regulations and continuously mitigate risk.

Trusted by the nation's top financial services firms, RegEd's proven, holistic approach to RegTech meets firms where they are on the compliance and risk management continuum, scaling as their needs evolve and amplifying the value proposition delivered to clients.