Compliance Solutions

Regulatory Update

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Proposed FINRA Rule Change: Gift Limit Increase to $300

December 2, 2025, FINRA proposed amendments to Rule 3220 that would raise the annual gift limit from $100 to $300 per recipient. This change is intended to reflect inflation and reduce administrative burdens for firms. Initially, FINRA proposed increasing the limit to $250 per recipient in June 2025, but that drew pushback from industry stakeholders with many advocating for a $500 cap. In response, FINRA revised the proposal upward to $300. The updated proposal also incorporates existing interpretive guidance covering business entertainment, valuation, aggregation, de minimis and personal gifts, disaster-related donations, and recordkeeping directly into the rule text, with conforming changes to non-cash compensation provisions in Rules 2310, 2320, 2341, and 5110.

After reviewing comments, FINRA concluded that $300 strikes a reasonable balance between inflationary adjustments and investor protection against conflicts of interest. While some firms supported a $500 limit, FINRA determined that $300 provides sufficient flexibility without weakening compliance safeguards. **This proposal is not yet effective and requires SEC approval before implementation.**

Read the proposal here.

SEC Grants Extended Temporary Relief for Short Position and Securities Loan Reporting

December 3, 2025, the Securities and Exchange Commission (SEC) issued an order granting temporary exemptive relief from compliance with Rule 13f-2 and Form SHO, as well as certain aspects of Rule 10c-1a under the Securities Exchange Act of 1934. These rules, adopted in October 2023, require institutional investment managers to report short positions via Form SHO and mandate reporting of securities lending transactions to a registered national securities association (RNSA). The relief follows a Fifth Circuit remand directing the SEC to reassess the cumulative economic impact of these rules.

New Compliance Deadlines

The SEC has extended the compliance dates significantly. For Rule 13f-2 and Form SHO, reporting obligations are now deferred until January 2, 2028. This means Form SHO filings will resume for the January 2028 reporting period, due within 14 calendar days after month-end. For Rule 10c-1a, the reporting date requirement is postponed until September 28, 2028, and the public dissemination requirement under subsections (g) and (h)(3) is delayed until March 29, 2029. These extensions provide market participants additional time to prepare for potential rule amendments and system changes.

Implications for Market Participants

The SEC emphasized that these temporary exemptions are intended to serve the public interest and protect investors while the Commission evaluates further actions, which may include proposing amendments to the rules. Firms should use this extended timeline to review internal processes, assess technology needs, and monitor developments closely. Although compliance obligations are deferred, the underlying policy objectives remain, and early preparation will help mitigate future operational and regulatory risks.

Read the order here.

SEC Highlights Marketing Rule Deficiencies

December 16, 2025, the SEC Division of Examinations issued a Risk Alert identifying common deficiencies in advisers' compliance with the Marketing Rule under the Advisers Act, focusing on testimonials, endorsements, and third-party ratings. These findings emphasize the importance of reviewing advertising practices and compliance programs to ensure adherence to disclosure, oversight, and due diligence requirements.

The staff observed significant issues with testimonials and endorsements, including missing or unclear disclosures about whether promoters were clients, whether compensation was provided, and any material conflicts of interest. For example, some advisers posted client testimonials on their websites without stating the promoter's status or compensation, while others buried disclosures in hyperlinks or used smaller fonts, violating the "clear and prominent" standard. Advisers also failed to disclose compensation terms such as gift cards or referral fees and omitted conflicts where promoters had financial interests in the adviser. Additional deficiencies included lack of written agreements with paid promoters, misapplication of the de minimis exemption, and compensating ineligible persons with disciplinary histories.

Third-party ratings were another area of concern. Advisers often displayed ratings on websites, social media, and marketing materials without performing adequate due diligence to confirm that surveys were unbiased. Many failed to disclose key information such as the date and time period of the rating, the identity of the rating provider, and payments made for logo use, priority placement, or consideration for awards. Even when disclosures were provided, they were often hidden in hyperlinks or placed at the bottom of webpages, rather than being clear and prominent as required.

Action Steps: Firms should immediately review marketing materials and compliance programs to ensure all testimonials, endorsements, and third-party ratings meet the Marketing Rule's requirements. Update policies, train staff, and maintain documentation to substantiate compliance. Written agreements with promoters, accurate compensation disclosures, and robust due diligence on rating methodologies are essential to avoid regulatory risk.

Read the risk alert here.

CFTC Staff Issues No-Action Letter Regarding CPO Registration for Certain SEC-Registered Investment Advisers

December 19, 2025, the Commodity Futures Trading Commission's Market Participants Division (MPD) issued a no-action letter providing temporary relief from Commodity Pool Operator (CPO) and Commodity Trading Advisor (CTA) registration for certain private fund managers. This relief applies to managers offering interests exclusively to Qualified Eligible Persons (QEPs) and is intended as an interim measure while the Commission considers reinstating the QEP Exemption, which was rescinded in 2012. The no-action position responds to concerns raised by the Managed Funds Association regarding duplicative and conflicting regulatory requirements between the CFTC and SEC.

Under this no-action position, eligible managers defined as SEC-registered investment advisers offering pool interests solely through nonpublic offerings to QEPs may withdraw from or avoid CPO and CTA registration, provided they meet specific conditions. First, the adviser must be registered with the SEC and offer pool interests solely through nonpublic offerings under the Securities Act, without marketing to the general public (except as permitted under Rule 506(c)). Second, all investors in the pool must meet the QEP definition under CFTC Regulation 4.7(a)(6), which was recently updated to reflect higher thresholds for securities ownership and margin requirements. Third, the manager must file Form PF with the SEC for the relevant pools, ensuring that the CFTC receives this information. Additionally, managers must comply with certain provisions of CFTC Regulation 4.13(b) and (c), and submit a notice of reliance via email to mpdnoaction@cftc.gov. Notices are considered effective upon submission if materially complete.

Importantly, managers relying on this relief are not subject to the mandatory redemption rights under Regulation 4.13(e), which would otherwise require offering investors an automatic right to redeem upon deregistration. This exemption acknowledges that private fund liquidity terms are negotiated and often incompatible with redemption mandates. The no-action position also extends to CTA registration for pools covered by this relief. Compliance teams should carefully review these conditions, update internal procedures, and ensure timely notice filings to maintain eligibility while monitoring for future rulemaking on reinstating the QEP Exemption.

Read the no action letter here.

NY LLC Transparency Act Remains Limited to Foreign Entities

December 19, 2025, Governor Kathy Hochul vetoed proposed amendments to the New York LLC Transparency Act (S8432/A8662). These amendments aimed to require New York–formed LLCs to disclose beneficial ownership information under state law, creating obligations beyond those mandated by the federal Corporate Transparency Act (CTA).

The veto followed FinCEN's March 2025 Interim Final Rule, which narrowed CTA reporting requirements to foreign-formed entities doing business in the United States. Governor Hochul stated that imposing additional state-specific mandates would create unnecessary burdens for businesses and diverge from the original intent of aligning with federal standards.

As a result, starting January 1, 2026, only foreign LLCs registered in New York must comply with beneficial ownership reporting. Domestic (NY-formed) LLCs remain exempt from state-level disclosure requirements. Businesses should continue monitoring federal CTA compliance and update internal policies accordingly.

Read the veto memo here.

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