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August 23, 2022

**Via ELECTRONIC Mail (rule-comments@sec.gov)**

Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**Re: Proposed Rule Change to Adopt Supplementary Material.19 (Residential Supervisory Location) Under FINRA Rule 3110 (Supervision); File No. SR-FINRA-2022-019; Release No. 34-95379**

Dear Secretary,

MML Investors Services, LLC (“MMLIS”) appreciates this opportunity to provide the Securities and Exchange Commission (the “Commission” or “SEC”) with comments in response to the Financial Industry Regulatory Authority Inc.’s (“FINRA”) File No. SR-FINRA-2022-019: Proposed Rule Change to Adopt Supplementary Material .19 (Residential Supervisory Location) under FINRA Rule 3110 (Supervision) (the “Proposal”).<sup>1</sup>

MMLIS would like to take this opportunity to thank the SEC, FINRA, and their respective staffs for their efforts and responses during times of uncertainty due the COVID-19 pandemic. MMLIS applauds the significant effort that FINRA and its staff have invested in the Proposal and thanks FINRA for working with its fellow regulators and the industry to craft the Proposal. Given the post-COVID-19 hybrid work environment that most companies have adopted, which has been working effectively and in compliance with applicable laws, rules, and regulations, MMLIS supports the adoption of the Proposal. MMLIS, which is a member of the Securities Industry and Financial Markets Association (“SIFMA”), understands that SIFMA will be submitting its own comment letter with respect to the Proposal and generally supports the commentary that is contained within SIFMA’s letter. MMLIS is submitting this separate letter to highlight how this Proposal would favorably impact our firm based on its specific structures and requests that the SEC and FINRA consider a few comments, as outline below.

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<sup>1</sup> FINRA, *Proposed Rule Change to Adopt Supplementary Material. 19 (Residential Supervisory Location) under FINRA Rule 3110 (Supervision)*, File No. SR-FINRA-2022-019, 87 Fed. Reg. 47248 (Aug. 2, 2022), <https://www.finra.org/rules-guidance/rule-filings/sr-finra-2022-019>.

MMLIS is a subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual"). MMLIS is MassMutual's retail broker-dealer and is headquartered in Springfield, Massachusetts. The firm offers a variety of investment products and services to retail clients, including mutual funds and variable products.

**Summary of the Proposal and Comments from MMLIS:**

FINRA proposes to add a new Supplementary Material .19 ("SM .19") (Residential Supervisory Location) to FINRA Rule 3110 (Supervision):

1. FINRA proposes to incorporate the existing supervisory functions appearing in the OSJ definition (Rule 3110(f)(1)) and branch office definition (Rule 3110(f)(2)(B)) with the existing residential exclusions set forth in the branch office definition to classify a Residential Supervisory Location as a non-branch location.
2. FINRA proposes that the Residential Supervisory Location is subject to inspections on a regular periodic schedule under Rule 3110(c)(1)(C), presumed to be every three years, rather than subjecting those locations to the annual inspection requirement for OSJs and other supervisory branch offices.
3. FINRA proposes that an associated person's private residence where supervisory activities are conducted shall qualify as a non-branch location, provided that the long-standing residential exclusions are met, in addition to a new criterion, which restricts the Residential Supervisory Location from maintaining original books and records at such location.
4. FINRA further proposes several location categories that are ineligible for designation as a Residential Supervisory Location. The nine proposed categories of ineligibility include events or activities of a member firm or its associated persons that FINRA believes are more likely to raise investor protection concerns.

FINRA has noted in the Proposal that as jurisdictions are scaling back restrictions that were in place due to the pandemic, firms are moving towards a hybrid work environment. FINRA believes the regulatory benefit of requiring firms to designate a private residence as an OSJ or branch office should now be reconsidered given that the risk profile of these offices can be effectively controlled through practical safeguards and limitations. Since the pandemic, there has been a proliferation of new work arrangements that allow for associated and registered persons to work in settings that are no longer the brick-and-mortar traditional office. In MMLIS' case, this flexibility in alternative work arrangements has been crucial to the recruitment and retention of qualified individuals within our industry. MMLIS believes the Proposal will enable firms to recruit underrepresented talent more effectively, particularly where

firms may be in locations that do not have a local source of diversity. To that end, MMLIS supports the Proposal. However, MMLIS would like to direct our commentary to the following:

1. *Notwithstanding any other provisions of Rule 3110(f), and subject to paragraph (b) of the Supplementary Material, a location that is the associated person's private residence where supervisory activities are conducted, including those described in Rule 3110(f)(1)(D) through (G) or in Rule 3110(f)(2)(B), shall be considered for those activities a non-branch location, provided that:*  
...  
*(9) a list of the residence locations is maintained by the member*

MMLIS suggests that FINRA creates a more formal categorization or appropriate system changes so firms can identify and track Residential Supervisory Locations on CRD.

2. *A location shall not be eligible for designation as a non-branch location in accordance with Rule 3110.19 if:*  
...  
*(4) one or more associated persons at such location is a designated supervisor who has less than one year of direct supervisory experience with the member.*

Consistent with FINRA Rule 1014(A)(10)(D), which requires that "each Associated Person identified in the business plan to discharge a supervisory function has at least one year of direct experience or two years of related experience in the subject area to be supervised"<sup>2</sup>, MMLIS believes that the Proposal should not limit experience to be only with the current member firm, but rather encompass all prior direct supervisory experience, consistent with other FINRA rules. MMLIS is concerned that, for example, a new hire with decades of direct supervisory experience will be disqualified under the Proposal. This provision, as currently drafted, could prevent firms from recruiting qualified individuals for supervisory roles.

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<sup>2</sup> [1014. Department Decision | FINRA.org](#)

### 3. FINRA's Remote Inspections Pilot Program

MMLIS encourages the SEC to consider the Proposal in conjunction with FINRA's related proposal concerning the Remote Inspections Pilot Program <sup>3</sup> given that the shift towards remote work is only growing and member firms are adopting permanent remote work arrangements, even after COVID-19. Given all the advances in workplace technology and the enhanced ability to effectively supervise associates of a member firm remotely, MMLIS encourages the SEC to consider the implementation of a permanent remote inspections rule.

### 4. Temporary Relief in Rule 3110.17

Given the timing of the proposed pilot program for remote inspections and the various temporary relief provisions currently in effect, it would be ideal to simultaneously approve both provisions with an effective date on or before the December 31, 2022, when the temporary relief in Rule 3110.17 is set to expire. If the SEC believes this timeline cannot be met then MMLIS requests that the SEC consider extending FINRA Rule 3110.17 beyond its current December 31, 2022, sunset date to have sufficient time to comply with the regulatory obligations.

### Conclusion

MMLIS appreciates the opportunity to provide comments on the Proposal and urges the SEC and FINRA to continue the path towards formalizing it while keeping in mind the above-mentioned comments. MMLIS thanks FINRA and its staff for their efforts on the Proposal, its changes represent a solid step forward in modernizing FINRA's rules and recognizing the continued importance to hybrid work.

If you should have any further questions, please do not hesitate to contact me.

Best Regards,



Karol Sierra-Yanez  
Lead Counsel, Broker-Dealer and Investment Advisor Practice Group

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<sup>3</sup> FINRA, *Proposed Rule Change to Adopt Supplementary Material .18 (Remote Inspections Pilot Program) under FINRA Rule 3110 (Supervision)*, File No. SR-FINRA-2022-021, 87 Fed. Reg. 50144 (Aug. 15, 2022), [SR-FINRA-2022-021 | FINRA.org](https://www.finra.org).