



VIA ELECTRONIC MAIL: rule-comments@sec.gov

August 23, 2022

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: SR-FINRA-2022-019: Notice of Filing of a Proposed Rule Change to Adopt Supplementary Material .19 (Residential Supervisory Location) Under FINRA Rule 3110 (Supervision)

Dear Ms. Countryman:

Cambridge Investment Research, Inc. (“Cambridge”), appreciates the opportunity to comment on the proposed rules regarding the establishment of the Residential Supervisory Location classification for private residences where certain specified supervisory activities occur; such locations would be subject to inspections on a regular periodic schedule, rather than annual inspections (“the Proposal”). Cambridge strongly supports this proposed change. Over the past two (2) years, firms have increasingly adapted and modified their structures to allow and support a “work from home” environment.

While Cambridge supports this proposed change and believes it is a necessary step for our industry, Cambridge respectfully requests the following changes be considered with respect to the Proposal.

I. BROADEN APPLICABILITY BEYOND ASSOCIATED PERSONS AND IMMEDIATE FAMILY

As noted above, Cambridge strongly supports the Proposal and believes it to be a positive step in adapting FINRA rules to the increasingly modern, technology-driven “work from home” environment. However, as noted in the Proposal, one of the criteria for an associated person’s private residence where supervisory activities are conducted to be considered a non-branch location is that only one associated person, or multiple associated persons who are immediate family, conduct business at the location. Cambridge believes this criterion is unnecessary for the determination of whether a private residence may be considered a non-branch location and respectfully requests this suggested criterion be removed.

There are circumstances beyond that of an immediate family in which more than one associated person may reside at the same private residence. As an example, two associated persons may cohabitate without being married. Additionally, associated persons may reside together to share the cost of living. The proposed requirement that a private residence at which supervisory activities are conducted can only be designated as a non-branch location if only one associated person resides

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at the residence or if the associated persons are immediate family disregards other types of living arrangements that associated persons may have.

Member firms have continued responsibility to supervise its associated persons. For the private residence to qualify as a non-branch location for the purpose of inspections, the associated persons conducting supervisory activities would be appropriately licensed, would not hold themselves out to the public, and would not handle customer funds or securities. Cambridge believes with these requirements, as proposed, as well as with the ongoing supervision conducted by member firms, that limiting this classification to immediate family is not necessary. Further, as noted above, the immediate family limitation unduly limits the availability of the classification to a variety of other living arrangements.

II. REMOVE THE LESS THAN ONE YEAR OF DIRECT SUPERVISION AT THE MEMBER FIRM RESTRICTION

As detailed in the Proposal, a location would be ineligible for designation as a non-branch location if an associated person at the location is a designated supervisor with less than one year of direct supervisory experience. With member firms' responsibilities to conduct ongoing supervision, Cambridge questions the need for a restriction based on the number of years of experience the supervisor has with the member firm.

There are a number of individuals employed at member firms with years of relevant experience. For example, an employee of a member firm may have years of relevant supervisory experience at that member firm; however, if a second member firm hired that employee to conduct supervision remotely, that employee's location would be ineligible as a non-branch location solely due to the fact the employee is a new employee of that member firm. As a result, the second member firm would be required to inspect the location in the first twelve (12) months, regardless of that individual's supervisory experience.

Member firms with effective supervision and controls in place already have the mechanisms to supervise the associated person's supervisory activities. Firms should utilize those controls to conduct ongoing supervision of its supervisors' activities, irrespective of the years of supervisory experience of the designated supervisor. With that supervision framework in place, Cambridge believes that a location should not become ineligible for designation as a non-branch location solely because the associated person does not have direct supervisory experience at the employing member firm. Such a restriction potentially disregards an associated person's relevant experience from employment at prior member firms and disregards member firms' supervision frameworks. Due to the foregoing, Cambridge believes that this criterion for ineligibility as a Residential Supervisory Location is unnecessarily restrictive.

III. REMOVE THE RULE 1210.04 RESTRICTION

The Proposal also contains a restriction for an associated person acting as a principal for a limited time under Rule 1210.04. Cambridge echoes its above stance. Member firms with effective supervision and controls have the ability to appropriately supervise individuals acting as a principal

for a limited time pursuant to Rule 1210.04. Based upon that supervision framework, it is unclear why such an associated person's private residence should be ineligible for designation as a non-branch location under the Proposal.

An employee may perform well at a member firm, which may result in a promotion for the employee to a supervisory role. Additionally, a candidate for employment may have exceptional qualifications that may result in that candidate being hired for a supervisory position. Under Rule 1210.04, those associated persons are able to serve in a principal capacity for up to 120 calendar days prior to passing the appropriate examination, subject to the requirements detailed in the rule. Rule 1210.04 allows member firms to attract and maintain top talent while the associated person passes the appropriate supervisory examination. However, with the ever-changing work from home environment, firms may look to employ associated persons in a remote capacity. The Proposal will restrict member firms' ability to attract and retain those individuals, as firms will not have the flexibility to designate those locations performing supervision roles remotely from a private residence as a non-branch location. Due to the supervision capabilities available to member firms, Cambridge does not believe ineligibility for individuals acting as a principal for a limited time pursuant to Rule 1210.04 is necessary and respectfully requests this criterion be removed.

Cambridge appreciates the opportunity to offer comments regarding the proposed rule to establish a Residential Supervisory Location classification. Cambridge would be happy to discuss further any of the comments or recommendations outlined in this letter.

Sincerely,

/s/ Seth Miller

Seth Miller
General Counsel
Chief Risk Officer