

October 25, 2022

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

Re: File No. SR 2022-19 and SR 2022-021

Dear Ms. Countryman:

On behalf of LPL Financial ("LPL"), I am writing to further express our support for the Financial Industry Regulatory Authority ("FINRA") proposed rule changes to adopt Supplementary Material .18 (Remote Inspections Pilot Program) and Supplementary Material .19 (Residential Supervisory Location) under FINRA Rule 3110 (Supervision). We believe that the proposed rules effectively modernize the current branch examination requirements while maintaining strong guardrails for consumer protection.

I. Overview of LPL Financial

LPL is a leading retail investment advisory firm, independent broker-dealer and registered investment advisor custodian. We serve as a trusted partner to approximately 21,000 financial professionals across the country, including financial professionals at over 1,100 banks and credit unions and approximately 500 registered investment advisers. LPL provides them with the technology, research, clearing and compliance services and practice management programs they need to create and grow thriving practices. LPL enables affiliated financial professionals to provide personalized financial guidance to millions of American families seeking wealth management, retirement planning, financial planning and asset management solutions. Our affiliated financial professionals operate in all 50 states.

II. Additional Comments on Supplementary Material .18 (Remote Inspections Pilot Program)

LPL has a robust branch examination program. Since the onset of the coronavirus pandemic, LPL has performed more than 13,000 remote branch exams. Therefore, our support for the program is grounded in significant hands-on experience. We believe that the evolution to remote branch exams was a natural progression that leveraged technology already utilized to perform the exams. For example, examiners conduct significant research on advisors and their OSJ locations ahead of the examination using free tools such as a simple Google search and online state databases that provide in-depth information at no cost. These tools were used before the in-person exam and continue to be effective ahead of a remote branch exam.

Branch examinations are one facet of a reasonably designed supervision program required by FINRA Rule 3110. Each firm has the ability to design a supervision program that is consistent with their resources and obligations. LPL believes that our program is well positioned to continue to support remote supervision because it allows us to leverage readily accessible, and often low-cost, technology tools. Further, by leveraging this technology we can direct our resources to higher risk locations, which ultimately increases customer protection.

Overall, leveraging technology has created an efficient branch exam experience for both examiners and advisors. However, LPL recognizes that a remote branch exam program should be risk-based and that examiners should visit locations in person if the need arises, and on a consistent basis for regularly scheduled exams. We support the proposed rule's requirement to perform a risk assessment for each location, and to exclude certain persons or firms from being eligible to participate in the program. LPL agrees that in these instances an on-site branch exam is necessary.

Finally, the proposal is for a voluntary three-year pilot program that will require firms to share data on the effectiveness of the program with FINRA, the SEC and state securities regulators. The pilot program will allow for both industry and regulators to collaborate to fine-tune the parameters and become comfortable with performing exams in a post-COVID environment. Should a firm not be comfortable with remote exams now, they can opt not to join the pilot program. We support the ability to opt-in or opt-out, because it preserves flexibility for firms to reasonably supervise associated persons, in the manner the firm is most comfortable.

III. Additional Comments on Supplementary Material .19 (Residential Supervisory Location)

FINRA's proposal to create a new definition for a residential supervisory location is complementary to the proposal for a remote branch examination pilot program. The coronavirus pandemic forced many home office employees to work from home to protect workers from the virus. Now, firms have realized that many workers prefer to be on a hybrid work schedule where they are in the office on certain days of the week and at home for the remainder of the week. Being able to offer this flexibility is key to maintaining employee engagement and retention; otherwise, workers with transferrable skills can seek positions in other industries that allow for remote or hybrid work. However, with the ability to designate a home office as a residential supervisory location, we can preserve the ability for registered or associated persons to work from their residence.


Importantly, the residential supervisory location requires an inspection of each residence at least every three years. It is critical that the remote branch exam pilot program be approved in tandem because remote branch exams can be used to inspect residential supervisory locations of home office employees. This can eliminate the awkwardness of having an employee inspect another employee's home. Although we believe our workforce is respectful, we hope to preserve the privacy of our employees and their personal residences. A remote branch exam would allow an examiner to view their home office space, without having to walk through other areas of a private residence or interact with family members.

The residential supervisory location definition would also allow workers to maintain privacy of home addresses from unnecessary disclosure to the public. Under current FINRA Rule 3110, all OSJ branch locations must be registered and the address available to the public on BrokerCheck. This could have negative consequences for employees who do not want the public or customers to know their home address. It could also create security concerns for employees who have a negative experience and now have the unnecessary concern of knowing that their address is easily accessible through Broker-Check. Finally, it could create confusion for investors who search for a location and are unable to determine if it is for a residence or office. We urge the SEC to consider these factors and approve the proposal for a residential supervisory location.

IV. Conclusion

We appreciate the ongoing dialogue and collaboration between the SEC, FINRA, NASAA and firms on these issues. LPL believes that industry collaboration with regulators is necessary to ensure the success of the pilot



program over the next three years and we remain committed to working together. Thank you for your consideration of this letter. Please contact Tara Gilchrist at  with any questions.

Sincerely,



Mark Seffinger
Chief Compliance Officer
LPL Financial