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Securities and Exchange Commission

[Rule-comments@sec.gov](mailto:Rule-comments@sec.gov)

Re: File Number SR-FINRA-2022-021

We sincerely appreciate the opportunity to comment on the proposed changes to FINRA Rule 3110 and the adoption of a voluntary, three-year remote inspection pilot program to allow member firms to elect to fulfill their obligation under Rule 3110(c) by conducting inspections of some or all branch offices remotely without an on-site visit to such office or location, subject to specified terms.

Our firm, Integrated Solutions is a leading service provider within the financial industry, with a client base of approximately one hundred small to medium sized broker-dealers that are involved in a myriad of business lines. We are privileged to be able to offer guidance to our customers in a practical manner, which helps them navigate the multitude of rules that they are subject to.

We are encouraged by FINRA's realization that our industry must embrace the technological advances of our society and recognize that the supervisory and inspection protocol that existed for decades is no longer relevant in the electronic and virtual world we live in. So many elements of our lives now exist in a virtual realm. The word "virtual" derives from Middle English and meant "efficacious", taken from Latin meaning "strength and virtue" The Cambridge Dictionary defines "virtual" as "done using computer technology over the internet and not involving people physically going somewhere." It in no way confers ineffectuality or any negative connotations in the definition. Truth be told, virtual monitoring is in reality more effective than that that can be evaluated by the human eye! George Orwell recognized this in his brilliant novel "1984" written in 1949, which was a harbinger of the world to come.

Even the revered medical field has entered into a hybrid virtual existence, where doctors will speak with their patients through virtual meetings and where patients' vital statistics can be monitored and transmitted virtually to their doctors for analysis. If we can trust our health to be supervised virtually, can we not extend that same trust to the remote supervision of branch office inspections?

We applaud the proposed change to Rule 3110 (c) but oppose FINRA's suggestion that this be a "pilot program" The proposed rule should not be "pilot" but immediately approved by the SEC. What more would be proven in a three-year pilot period then has already been proven through our industry mandatorily navigating through the Covid-19 pandemic over the most recent two years? The supporting facts are already available. Anecdotal comments from some industry observers regarding what amounts to isolated instances of violative activity should not be relied upon as necessarily applicable to the vast majority of geographically dispersed operations conducted by FINRA members. Human nature is such that unfortunately there will always be individuals who will attempt to avoid compliance with rules or laws in a nefarious manner. In our opinion, virtual supervision on a constant basis is usually far superior to in-person inspection, especially when such supervision is often conducted on a real-time basis.

We commented in our February 16, 2021 “Request for Comments-Lessons from the Covid-19 Pandemic” letter to FINRA that “A robust inspection can be accomplished remotely, and more likely, an increase in virtual meetings would probably be more effective in establishing supervision and reinforcing applicable rules than in person inspections” We further elaborated on this issue in our August 19, 2022 SEC comment letter regarding proposed changes to FINRA Rule 3110 and the issue of branch office inspections by stating “practical and real-world experience dictates that supervision is integral in the day-to-day operations of a Broker-Dealer. An investor is not being protected any more effectively or cohesively through a physical inspection than a remote one.” These facts have been recognized in the published text of the proposed rule change itself. SR-2022-021 states the following: “Relatedly, the challenges in supervising associated persons who work in outlying offices or locations have been mitigated over the years with the prevalent and effective use of technology.” In addition, it states, “More recently, firms have questioned the benefits of the on-site inspection requirement for all offices, particularly in light of these significant technological advances that have enhanced the effectiveness of a firm’s overall and ongoing supervision and monitoring of the activities occurring at their offices (registered and unregistered).”

Moreover, the frequency of inspections should not be based upon a regulatory body declaring what amounts to a one size fits all standard. This holds true even if one or more individuals at a particular location are subject to heightened supervision. Heightened supervision can be accomplished more easily by an intensive review of the activities of such individuals. We need not inspect them physically to be aware of what they are doing.

We concur completely with the need to eradicate on site office inspections and give thanks to the advancements in technology for making this possible. We appreciate both FINRA and the SEC for recognizing that the root of the word “virtue” in “virtual” applies to the benefits of electronic monitoring and supervisory tools. “Big Brother” has gone “live” and have no fear, all eyes are watching us.

Very truly yours,



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