



Wells Fargo & Company
420 Montgomery Street
San Francisco, California

September 6, 2022

Submitted Electronically

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

Re: File Number SR-FINRA-2022-021, Notice of Filing of a Proposed Rule Change to Adopt Supplementary Material .18 (Remote Inspection Pilot Program) under FINRA Rule 3110

Dear Ms. Countryman:

Wells Fargo & Company,¹ together with its affiliates and subsidiaries (collectively, “Wells Fargo”), welcomes the opportunity to comment in support of the Financial Industry Regulatory Authority’s (FINRA) filing of SR-FINRA-2022-021 with the U.S. Securities and Exchange Commission (SEC). We share our comments in support of the Notice from the perspective of our Wealth & Investment Management (WIM) division² and our Corporate and Investment Banking (CIB) division.³

¹ Wells Fargo (NYSE: WFC) is a leading financial services company that has approximately \$1.9 trillion in assets. It proudly serves one in three U.S. households and more than 10% of small businesses in the U.S., and is a leading middle-market banking provider in the U.S. In the communities we serve, the company focuses its social impact on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy.

² Wells Fargo Wealth & Investment Management (WIM) is a division within Wells Fargo & Company. WIM provides financial products and services through various bank and brokerage affiliates of Wells Fargo & Company and is one of the largest wealth managers in the U.S., with more than \$1.8 trillion in client assets. WIM provides personalized wealth management, brokerage, financial planning, lending, private banking, trust, and fiduciary products and services to affluent, high-net worth, and ultra-high-net worth clients. WIM operates through advisors in Wells Fargo Advisors, independent brokerage offices, and digitally through Intuitive Investor® and WellsTrade®, as well as through advisors in The Private Bank and other banking centers. Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, members SIPC, separate broker-dealers and non-bank affiliates of Wells Fargo & Company.

³ Wells Fargo Corporate & Investment Banking (CIB) is a division within Wells Fargo & Company. CIB delivers a suite of capital markets, banking and financial products and services to corporate, commercial real estate, government and institutional clients globally. Products and services include corporate banking, investment banking, commercial real estate lending and servicing, equity and fixed income solutions, as well as sales, trading, and research capabilities. CIB and Wells Fargo Securities are the trade names used for the corporate banking, capital markets, and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Securities, LLC, member of NYSE, FINRA, NFA, and SIPC, Wells Fargo Prime Services, LLC, member of FINRA, NFA and SIPC, and Wells Fargo Bank, N.A., member NFA and swap dealer registered with the CFTC and security-based swap dealer registered with the SEC. Wells Fargo Securities, LLC and Wells Fargo Prime Services, LLC, are distinct entities from affiliated banks and thrifts.

The proposed pilot offers a risk-based approach that requires firms to document a risk assessment for each location it intends to inspect remotely. In addition, a broker-dealer would be required to share its written supervisory procedures with FINRA to demonstrate that the firm's procedures are consistent with the pilot's risk-based approach. This approach will provide regulators with the data necessary to make an informed decision about whether to permit off-site inspections as a permanent element of the overall broker-dealer supervisory framework.

I. Wells Fargo supports the proposed remote inspection pilot and the modernization of FINRA Rule 3110.

Wells Fargo supports the adoption of the three-year, voluntary pilot under proposed Rule 3110.18. The proposed pilot is a positive, incremental step towards modernization of broker-dealer inspection obligations under Rule 3110. Based on our experience with off-site inspections, we are confident that the data produced by the pilot will demonstrate that remote inspections allow for effective supervision of branch offices, offices of supervisory jurisdiction (OSJ), and non-branch offices. If the pilot is adopted, we will continue to value on-site inspections as a component of our supervisory framework consistent with a risk-based approach.

Prior to the onset of the COVID-19 pandemic, we expressed our support for revisions to Rule 3110(c) to improve the efficiency of fulfilling broker-dealer inspection obligations while maintaining investor protection.⁴ However, in response to the onset of the pandemic, FINRA provided relief from regulatory obligations, including on-site inspection obligations, that became unsafe due to pandemic health and safety risks. Supported by our pandemic inspection experience, and in response to FINRA Regulatory Notice 20-42, Wells Fargo commented that FINRA should permit remote inspections under a risk-based approach as a "permanent feature" of inspection obligations.⁵ Furthermore, the broker-dealer industry has successfully fulfilled inspection obligations under Rule 3110.17 for two years.

II. Branch inspections form one element of the overall supervisory framework.

Our experience during the pandemic has solidified our confidence that remote inspections can provide investor protections consistent with Rule 3110. However, branch inspections should be viewed as one key component of an integrated compliance and supervisory framework executed by independent compliance and risk management groups and front-line supervision programs. These groups and programs include surveillance of client and employee account activity, supervision of employee activities (includes outside accounts and outside business activities), and centralized supervision units within the front-line. In addition, there are compliance groups at the enterprise level that provide anti-money laundering and fraud oversight. Current electronic books and records platforms and electronic supervisory systems permit firms to perform real-time supervision and oversight of associated person activities that are supplemented by inspections, remote or on-site, of OSJs or branch office locations.

Additionally, as key technology and systems have improved, most branch inspection activities are now completed prior to the on-site phase of the branch inspection. In fact, prior to the onset of the pandemic, approximately 90% of the WIM branch-office-inspection process was completed remotely prior to conducting an on-site visit. FINRA

⁴ See Wells Fargo comment on FINRA 17-38, January 12, 2018, https://www.finra.org/sites/default/files/notice_comment_file_ref/17-38_wellsfargo_comment.pdf.

⁵ See Wells Fargo comment on FINRA 20-42, February 16, 2021, <https://www.finra.org/sites/default/files/NoticeComment/Wells%20Fargo%20Advisors%20%5BJames%20T.%20McHale%5D%20-%20FINRA%2020-42%20Comment%20letter%20-%20WFA.pdf>.

has indicated that off-site inspections have not come at a cost to investor protection, given that there have not been “significant departures” in examination findings relative to pre-pandemic exams.⁶

The proposed pilot represents a step towards permanent modernization of Rule 3110, if the data collected by the pilot supports such a change. Wells Fargo is committed to discussing modernization of inspection rules to reserve on-site inspections requirements for offices and individuals on a risk basis.

III. The pandemic has caused a significant shift in where people work across the U.S. economy.

As the pandemic has reached a more manageable phase, many Wells Fargo employees, including associated persons of our broker-dealers, have shifted from fully remote work to a hybrid model where many employees work from home and a Wells Fargo office. This shift is not exclusive to the financial services industry. McKinsey & Company’s “American Opportunity Survey” highlighted that 58 percent of U.S. workers (an estimated 92 million people) shared that they can work remotely at least part of the time.⁷ The same survey highlighted that when employees are given the option to work remotely, 87 percent of employees chose to do so.⁸

The proliferation of private residences that are now considered a workplace a few days a week has become a permanent feature of the economy. This extends to the public sector as well. The SEC’s recent Strategic Plan highlighted that it needed to “harness the benefits of telework as highlighted during the pandemic” to maximize workplace flexibility.⁹ The pilot will create the data that will allow FINRA to assess if off-site inspections can continue to be an effective means of supervision in support of a variety of workplace arrangements. In addition, a more flexible approach to work and supervision would support the ability of broker-dealers to compete with other professional occupations that offer the flexibility that workers prefer.

IV. Wells Fargo urges the SEC to adopt the proposed pilot while continuing to coordinate with FINRA on extensions to Rule 3110.17 that may be necessary to support an orderly transition.

To avoid a disruptive transition, Wells Fargo recommends the SEC adopt the pilot while coordinating with FINRA on any extensions to the pandemic relief that is currently set to expire on December 31, 2022. In addition, we recommend the SEC adopt the recently proposed Residential Supervisory Location proposal (SR-FINRA-2022-19) in conjunction with the pilot to support the integrity of the Pilot program data, as the underlying data will be dependent on an offices’ classification as an OSJ, a supervisory branch office, a non-supervisory branch office, or a non-branch location.¹⁰ If the SEC and FINRA need additional time to consider revisions to the pilot, a short extension of the existing temporary relief may be necessary.

V. Conclusion.

Wells Fargo appreciates the efforts of FINRA and the SEC throughout the COVID-19 pandemic. The federal regulatory engagement and response supported our ability to serve our customers and keep our employees safe. The proposed pilot is a productive and welcome step forward for broker-dealers, and we encourage the SEC to approve the Notice. We appreciate the opportunity to share our feedback on the Notice. If you would like to

⁶ Financial Industry Regulatory Authority Notice of Filing of a Proposed Rule Change to Adopt Supplemental Material .18 (Remote Inspections Pilot Program) Under FINRA Rule 3110, 87 Fed. Reg. 50144 at 50153 (August 15, 2022).

⁷ “Americans are embracing flexible work—and they want more of it,” McKinsey & Company, June 23, 2022.

⁸ “Americans are embracing flexible work—and they want more of it,” McKinsey & Company, June 23, 2022.

⁹ U.S. Securities and Exchange Commission, Strategic Plan Fiscal Years 2022-2026, August 2022.

¹⁰ See proposed Rule 3110.18(f)(1) (“a member shall provide separate counts for OSJs, supervisory branch offices, non-supervisory branch offices, and non-branch locations...”).

discuss these items further or need additional information, please contact John Vahey, Wells Fargo Public Policy, at [REDACTED].

Sincerely,

Jim McHale
Executive Vice President
Head of WIM Compliance

Robert Mulligan
Executive Vice President
Global Head of CIB Compliance