



MML Investors Services, LLC
1295 State Street
Springfield, MA 01111-0001
Toll Free (800)542-6767
Fax (877)665-4749

September 6, 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 .18 (Remote Inspections Pilot Program) under FINRA Rule 3110 (Supervision); File No. SR-FINRA-2022-021; Release No. 34-95452*

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-2022-021: Proposed Rule Change to Adopt Supplementary Material .18 (Remote Inspections Pilot Program) under FINRA Rule 3110 (Supervision) (the “Proposal”).¹

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. MMLIS appreciates FINRA’s efforts to revisit the temporary relief for on-site inspections that has been in place since November 2020 under FINRA Rule 3110’s temporary Supplemental Material .17.

Given the current hybrid work environment and the expiration of Rule 3110’s temporary Supplementary Material .17 on December 31, 2022, MMLIS encourages adoption of the Proposal. MMLIS, which is a member of the Securities Industry and Financial Markets Association (“SIFMA”), understands that SIFMA

¹ 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), <https://www.finra.org/rules-guidance/rule-filings/sr-finra-2022-021>.

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 structure and requests that the SEC and FINRA consider a few comments, as outlined below.

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. MMLIS has approximately 7,000 registered representatives.

Summary of the Proposal:

FINRA has proposed a rule change to amend FINRA Rule 3110 (Supervision) to adopt a voluntary, three-year remote inspection pilot program to allow member firms to elect to fulfill their obligation under Rule 3110(c) (Internal Inspections) by conducting inspections of some or all branch offices and non-branch locations remotely without an on-site visit to such office or location, subject to specified terms.

The Proposal would build largely on the terms of temporary Supplemental Material .17, but would be enhanced in several ways, including notably targeted exclusions from participation in the program for higher risk member firms, branch offices or non-branch locations. In addition, the Proposal requires a firm to conduct risk assessments for each office or location that is selected to be inspected remotely. Further, the Proposal requires a firm to establish and maintain written supervisory procedures for remote inspections which must specifically address procedures for: (i) escalating significant findings; (ii) new hires; (iii) supervising brokers with a significant history of misconduct; and (iv) review of outside business activities and doing business as designations. Finally, the Proposal requires the collection of data and information that includes segregated reporting by office type and location of the inspections completed, as well as the number of "findings" identified and a list of the most significant findings for certain location types.

Comments from MMLIS:

For several years, the industry has seen a fundamental shift towards the adoption of a hybrid/fully remote work environment, procedures, controls, and supervision. The COVID-19 pandemic forced the entire industry into remote work and as jurisdictions are scaling back restrictions that were in place due to the pandemic, employees and registered representatives are demanding workplace flexibility. It is important that the industry adapts to ensure the ability to recruit and retain talented and diverse personnel.

Again, MMLIS appreciates the opportunity to provide comments and recognizes the time and effort that FINRA has put into considering this Proposal. To that end, MMLIS supports the Proposal. However, MMLIS would like to direct our commentary to the following:

1. Risk Based Approach:

MMLIS believes inspections should continue to be mandatory for locations with customer-facing activity or custody of customers' funds or securities. However, firms should be permitted to take a risk-based approach to determining the frequency and method of such inspections. Not all locations present the same level of risk and firms should be allowed to determine which locations merit more frequent inspections.

MMLIS devotes significant resources to ensure that it has reasonable policies, procedures, and controls in place to comply with industry regulations. Diligence is used when recruiting and approving individuals to be associated with MMLIS as principals and registered representatives. As noted below, the ability to inspect and identify issues has not been impacted significantly by the pandemic. In fact, MMLIS' continuous to strengthen and improve its supervisory controls in its operations and risk management areas. Further, MMLIS recognizes that certain offices will need to be inspected in-person and the plan is to continue to do so, as required.

2. Use of Technology and Virtual Inspections:

Fraud prevention and detection is a requirement for doing business in today's world. MMLIS has several dedicated teams focused on keeping our clients' assets safe and strengthening our ability to prevent, detect and respond to fraudulent activity. With continuous advancements in technology, even pre-pandemic, MMLIS has been able to significantly enhance its supervisory control environment, and as a result, increase customer protection.

MMLIS has not seen a significant variance from pre-pandemic field inspection findings or fraud due to the use of remote inspections based on an analysis conducted for the period between January 2019 through August 2022.

An analysis of customer complaints was conducted for the period 1/1/2017 – 8/25/2022. MMLIS has not seen an increase in complaints due to remote working since the beginning of the pandemic in March 2020. Historically, the office inspection process has not resulted in the identification of possible fraud, regardless of the inspection being conducted onsite or remotely. The most likely source from which possible fraud is identified continues to be customer complaints.

3. Definition of “significant findings”:

The Proposal defined “findings” under proposed Rule 3110.18(f)(1) as “items that lead to any remedial action or were listed on an inspection report by the member” but did not provide a definition for “significant findings”. Unlike the current rules, the Proposal requires, as part of the data and information that member firms will need to submit to FINRA, a list of the most “significant findings.” Therefore, MMLIS requests that FINRA provides a definition or in the alternative, examples of what would be considered “significant findings” under the Proposal.

4. Simultaneous Consideration of the Proposal, Residential Supervisory Location Proposal, and Expiration of Rule 3110.17:

MMLIS encourages the SEC to consider the Proposal in conjunction with FINRA’s related proposal concerning Residential Supervisory Location Proposal² 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.

Given the timing of the Proposal 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 December 31, 2022, when the temporary relief in Supplemental Material .17 is set to expire. If the SEC believes this timeline cannot be met, MMLIS requests that the SEC considers extending Supplemental Material .17 beyond its current December 31, 2022, sunset date to allow sufficient time to comply with the regulatory obligations.

Conclusion

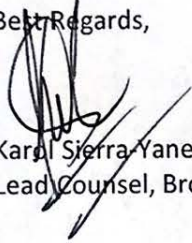
MMLIS appreciates the opportunity to provide comments on the Proposal and urges the SEC and FINRA to continue the path toward formalizing it while keeping in mind the above-mentioned comments. MMLIS thanks FINRA and its staff for their efforts on the Proposal. Its changes represent a solid step forward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

² 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>.

Page 5

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

Best Regards,

A handwritten signature in black ink, appearing to read 'Karol Sierra-Yanez', with a long horizontal stroke extending to the right.

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