



October 19, 2022

VIA ELECTRONIC MAIL (rule-comments@sec.gov)

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: *Supplemental Comment Letter on Proposed Rule Change to Adopt Supplementary Material .19 (Residential Supervisory Location) under FINRA Rule 3110 (Supervision); File No. SR-FINRA-2022-019; Release No. 34-95379, and 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 (the “Proposals”).*

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates this opportunity to provide the Securities and Exchange Commission (the “Commission” or “SEC”) with supplemental comments following our meeting with Division of Trading and Markets staff on October 12, 2022 to discuss FINRA’s Proposals.² We appreciate the staff’s engagement and thoughtful consideration of our comments.

We understand that there is a concern about smaller broker-dealers not having the resources to invest in the technology necessary to take advantage of these Proposals. As we expressed in the meeting, many smaller firms invested in cost-effective, widely available technologies before and during the pandemic to perform in a remote environment and fulfill their regulatory obligations. The tools, for example, to perform remote inspections are basic, from a cloud account to upload documents to review, smart phones, video conferencing services, and publicly available resources. The industry at large, participants, and investors benefit from the regulatory modernization embodied in these Proposals that affords improved efficiency to focus resources on higher risk areas, and flexibility to recruit and retain diverse and qualified employees.

¹ SIFMA is the leading trade association for broker-dealers, investment banks, and asset managers operating in the United States and global capital markets. On behalf of our industry’s nearly one million employees, we advocate for legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets, and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (“GFMA”).

² See generally, SIFMA’s Comments on the Pilot Proposal, <https://www.sec.gov/comments/sr-finra-2022-021/srfinra2022021-20138365-308398.pdf>, Residential Supervisory Location (“RSL”) Proposal, <https://www.sec.gov/comments/sr-finra-2022-019/srfinra2022019-20137268-307822.pdf>, and supplemental letter, <https://www.sec.gov/comments/sr-finra-2022-021/srfinra2022021-20144487-309378.pdf>.

All firms have requirements per FINRA Rule 3110 to have a reasonably designed supervisory program necessary to take advantage of these voluntary Proposals. Each firm must make their own determination, consistent with their supervisory obligations, whether they have the desire and technological wherewithal for a supervisor to work from a Remote Supervisory Location or to perform a remote inspection of a designated office. Moreover, each firm must demonstrate to FINRA for participation in the pilot that they have a reasonably designed supervisory program and risk-based approach, a firewall for investor protection.

We also want to reiterate that office inspections under FINRA Rule 3110(c) are but one aspect of an overall supervisory program designed with the objective of investor protection. As we represented in the meeting, firms find value in performing in-person inspections, and will continue to do so during the pilot based on their risk assessments. But, we must remember that inspections represent point-in-time observations in a supervisory program that is reviewing transactions, communications, customer complaints, outside business activities, and other pertinent information continually. The pilot simply affords firms facing exponential increases in inspectable office locations or staff attrition resulting from post-pandemic workforce expectations to utilize their technological capabilities, focus resources on higher-risk locations, and provide every firm greater flexibility necessary to recruit and retain qualified employees essential to a reasonably designed supervisory program and investor protection.

These Proposals should be viewed in the spirit of regulatory modernization like last week's long-overdue amendments to the SEC's 1997 electronic recordkeeping rule. Like those amendments, FINRA's Proposals reflect technological innovations the industry has made in the decades since Rule 3110 and the SEC's guidance on remote supervision was first adopted and ultimately how supervision is conducted today.³ We also must not get ahead of ourselves; the remote inspections pilot program simply allows for FINRA and other regulators to collect and assess the data necessary to evaluate a potential rule change and to refresh outdated guidance.

Finally, we would appreciate the Commission expeditiously approving these Proposals or supporting an extension of Rule 3110.17 if the pilot is not ready by December 31, 2022, when 3110.17 expires. Regulatory certainty is important to firms' branch inspection planning efforts, which take place months in advance of each year, and to settling alternative workplace arrangements in a post-pandemic world.

SIFMA appreciates the opportunity to provide this supplemental comment for the record. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Very truly yours,

Kevin Zambrowicz

Kevin Zambrowicz
Managing Director & Associate General Counsel

Bernard V. Canepa

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³ Supervisory guidance from the SEC dates to 2004. See SEC Staff Legal Bulletin 17 (Mar. 19, 2004), <https://www.sec.gov/tm/staff-legal-bulletin-17-remote-office-supervision>