



VIA ELECTRONIC MAIL

April 24, 2023

Sherry R. Haywood, Assistant Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Proposed Rule on “Outsourcing by Investment Advisers” (File No. SR-2023-006)

Dear Ms. Haywood:

Nationwide Financial Services, Inc. (“we” or the “Company”)¹ appreciates the opportunity to submit comments and feedback concerning the proposed rule regarding the proposed rule change to adopt supplementary material .19 under FINRA Rule 3110 to establish a Residential Supervisory Locations.

1. OSJ and Residential Supervisory Locations in person inspection requirement

The Company believes there is a need for FINRA to re-examine the frequency and method of requiring in person branch inspections for OSJ’s and the proposed new Residential Supervisory Locations for limited purpose broker dealers. The Company proposes that if an OSJ is solely an OSJ because it supervises the activities of persons associated with other branches and the OSJ does not engage in any other OSJ activities (FINRA Rule 3110(f)(1)(A)-(F)), such OSJs should be permitted to conduct the inspection remotely. As well as any Branch or Residential Supervisory Location who are designated as such solely because this location is supervising multiple non-registered locations should also be permitted to be inspected remotely.

During the pandemic many of our registered representatives have conducted our business from their homes or other remote locations, with most of them engaged in Compliance, administrative, operations and non-client facing activities, such as wholesaling variable annuity products and mutual funds to unaffiliated 3rd party firms; such locations are not held out to the public. As there continues to be valid concerns regarding in-person inspections for the probable future, FINRA needs to give limited purpose broker dealer firms the flexibility to either: (1) Permit firms to conduct such inspections remotely (2) Reduce the frequency of inspections of these types of locations to a five-year cycle or (3) All of the above. Allowing such a risk-based approach in conducting remote inspections will enhance a firm’s ability to focus on higher risk activities instead of spending time commuting to low-risk, non-client facing branch locations. For example, OSJs, branch office locations and the new Residential Supervisory Locations that only engage in wholesaling activities that do not service retail customers, should not be required to be the subject of on-site inspections; instead, such firm inspections should be given the freedom to conduct them remotely. Many firms have gone from physical files to electronic record keeping systems. Many supervisory activities can now be conducted remotely by firms with such technology, requiring

¹ This comment letter is written on behalf of three of Nationwide insurance affiliated broker/dealers that are FINRA member firms - Nationwide Securities LLC, (“NSLLC”), Nationwide Investment Services Corporation (“NISC”) and Nationwide Fund Distributors (“NFD”) respectively.

locations to be inspected in person is no longer a necessity, is costly and does not foster increased customer protection. As we indicated earlier, since many of these inspections can be conducted remotely, FINRA should reexamine any in-person inspection requirements.

2. Requiring firms to provide FINRA with quarterly lists of designated Residential Supervisory Locations.

Instead of the proposed quarterly report on Residential Supervisory Locations, the Company would like FINRA to consider having a separate filing for a Residential Supervisory Location like a Form BR 2, similar to the U4 page 2 process, so that members have a way to track and link Registered Representatives who are supervised from the Residential Supervisory Location not an OSJ. In addition, this will enable member firms to link the Registered Representative to those Residential Supervisory Locations instead of the OSJ in order to show a clearer line of the supervisory hierarchy. Otherwise, firms will be required to create a separate list outside of CRD to report to FINRA quarterly. This would then eliminate the need for the quarterly list and the manual tracking and controls that FINRA and member firms would need to put in place.

As Chief Compliance Officer, we are always focused on how to maintain a strong, effective compliance program. The suggested recommendations provided above will allow the Company to focus on activities that involve an elevated risk or potential harm to the investing public, rather than spending time commuting and performing onsite reviews of offices that do not engage in high or medium risk activities and enhance surveillance in other areas where warranted. The Company supports the Commission's efforts to protect investors. Thanks for allowing us to provide comments. If you have any questions, please contact us at (614) 677-1643.

Respectfully submitted,



James Rabenstine
Vice President, NISC and NSLLC Chief Compliance Officer
Nationwide Office of the Chief Legal Officer



Holly Butson
Chief Compliance Officer
Nationwide Fund Distributors, LLC