



August 1, 2023

Submitted electronically through <https://www.sec.gov/rules/sro.shtml>
Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: **Proposed Rule Change to Adopt Supplementary Material .19 (Residential Supervisory Location) under FINRA Rule 3110: File Number SR-FINRA-2023-006**

Dear Ms. Countryman:

Fidelity Investments (“Fidelity”)¹ appreciates the opportunity to provide additional comments² to the Securities and Exchange Commission (“SEC”) on its approval of the proposed rule change to adopt new Supplemental Material .19 (Residential Supervisory Location (“RSL”)) as set forth in SR-FINRA-2023-006 (the “Proposal”)³.

I. Fidelity strongly supports the Proposal

Fidelity continues to strongly support the Proposal and changes to the branch office definition under FINRA Rule 3110. We greatly appreciate FINRA’s continued willingness to modernize its longstanding branch office definition.

Fidelity appreciates FINRA’s willingness to amend the one-year of supervisory experience requirement to account for experience at a member firm’s affiliate or subsidiary. Many larger firms have several broker-dealers within the enterprise that share supervisory policies, procedures, and systems. It is commonplace for supervisors, as they take new roles, to be asked to either add a new broker-dealer registration or switch the broker-dealer with which they are registered.

¹ Fidelity is one of the world’s largest providers of financial services, including investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing and many other financial products and services to more than 30 million individuals and institutions, as well as through 13,500 financial intermediary firms. Fidelity submits this letter on behalf of Fidelity Brokerage Services LLC, National Financial Services LLC, and Fidelity Distributors Company LLC.

² See FINRA Residential Supervisory Location comment letter located at (<https://www.sec.gov/comments/sr-finra-2022-019/srfinra2022019-20137300-307863.pdf>, and <https://www.sec.gov/comments/sr-finra-2023-006/srfinra2023006-20165205-334509.pdf>)

³ See Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Amendment No. 1 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove the Proposed Rule Change, as modified by Amendment No. 1, to Adopt Supplementary Material .19 (Residential Supervisory Location) under FINRA Rule 3110 (Supervision), 88 FR 44173 (Jul. 11, 2023), available at <https://www.govinfo.gov/content/pkg/FR-2023-07-11/pdf/2023-14523.pdf>.



Fidelity also appreciates the clarification provided concerning an associated person who is the subject of an investigation or proceeding by a regulator, particularly the ability to resume designating a location as an RSL either at the closure of the proceeding or after the matter has been idle for a year.

The recent amendment also included a new requirement for firms to conduct a risk assessment before designating a location as an RSL. We conceptually support the addition of a risk assessment and appreciate there may be instances where use of the RSL is not appropriate. That said, we request that FINRA clarify the section of the proposed rule that requires consideration of *any regulatory communications such as subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, “blue sheet” requests or other trading questionnaires, or examinations indicating that the associated person at such office or location failed reasonably to supervise another person subject to their supervision.*⁴ It is not clear whether the phrase “*indicating that the associated person at such office or location failed reasonably to supervise another person subject to their supervision*” is meant to modify all the listed types of communications or only examinations. FINRA might consider updating its amendment to read as follows: *any regulatory communications from a regulator stating that the associated person at such office or location failed to reasonably to supervise another person subject to their supervision, including but not limited to, subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, “blue sheet” requests or other trading questionnaires, or examinations.* It can be difficult to discern the nature of the issue a regulator is investigating in these communications, which are rarely specific to a particular violation. Moreover, given the broad supervisory responsibilities under applicable law and rules, almost any inquiry can include an assessment of whether supervision was adequate. In this light most inquiries could, to some degree, be “indicative” of a failure to supervise. We do not believe that this was FINRA’s intent and therefore ask that the rule be clarified.

II. Conclusion

We urge the SEC to consider this Proposal with an effective date prior to the expiration of the relief provided under FINRA Rule 3110.17. If the Staff requires additional time to review the Proposal, we request an extension of the relief provided under FINRA Rule 3110.17. We appreciate that FINRA and the SEC have continued to work with the industry to evaluate and consider changes to rules.

Fidelity is happy to provide further information, participate in any direct outreach efforts the SEC undertakes, or respond to questions you may have about our comments.

⁴ Proposal at 44175

Sincerely,



Gail Merken
Chief Compliance Officer
Fidelity Brokerage Services LLC



Janet Dyer
Chief Compliance Officer
National Financial Services LLC



John McGinty
Chief Compliance Officer
Fidelity Distributors Company LLC

CC: The Honorable Gary Gensler, Chair
The Honorable Hester M. Peirce, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner
The Honorable Mark T. Uyeda, Commissioner
The Honorable Jaime Lizárraga, Commissioner
Haoxiang Zhu, Director, Division of Trading and Markets
Robert Cook, FINRA
Bob Colby, FINRA