



August 1, 2023

**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: *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); Release No. 34-97398; File No. SR-FINRA-2023-006 (the “Proposed Rule Change”)***

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> writes to express our continued support for FINRA’s Residential Supervisory Location (“RSL”) proposal.<sup>2</sup> The Proposed Rule Change is consistent with the Exchange Act and the rules thereunder to protect investors and should be approved by the Commission expeditiously. We appreciate FINRA’s consideration of our comments and believe that it has proposed a rule change that reasonably addresses stakeholders’ concerns.

**The Proposed Rule Change Is Consistent With The Exchange Act And Investor Protection**

Over several comment letters on various iterations of the Proposed Rule Change, SIFMA steadfastly supported FINRA’s goal to modernize FINRA Rule 3110 to treat the private residence of a registered associated person engaged in specified supervisory activities as a non-branch location subject

---

<sup>1</sup> 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”).

<sup>2</sup> FINRA, 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 (July 11, 2023), <https://www.federalregister.gov/documents/2023/07/11/2023-14523/self-regulatory-organizations-financial-industry-regulatory-authority-inc-notice-of-filing-of>

to periodic inspection.<sup>3</sup> Simply put, the Proposed Rule Change would allow supervisors to work from home, thus harmonizing to a rule that the individuals they supervise have long enjoyed.<sup>4</sup> Although we objected to certain provisions, the Proposed Rule Change, as amended, addresses in part concerns raised by the industry.<sup>5</sup> For example, proposed Rule 3110.19(c)(1) now accounts for supervisory experience at an affiliate or subsidiary of a firm, and 3110(c)(6) now allows a firm to designate or redesignate an RSL location after a specified period of time following an investigation. We continue to hear from our members that this proposal is important to them, as it allows them to provide workforce flexibility and diversity, recruit and retain qualified supervisors that are an essential part of their supervisory programs, and utilize supervisory resources more efficiently.

Central to the Commission’s consideration, the Proposed Rule Change is consistent with the Exchange Act. It is based on a rule approved nearly 20 years ago by the Commission and enhanced by various conditions, limitations, and safeguards to ensure that only firms and supervisors that are capable of effective supervision can utilize an RSL. It also reflects technological developments made over the past two decades in the supervisory programs of firms of all sizes, as well as changes in the workforce over the same time, particularly during the past three years of the COVID-19 pandemic. The pandemic demonstrated a continuity of supervision between the office and a supervisor’s residence, giving the Commission assurance that the Proposed Rule Change is consistent with the Exchange Act and investor protection.

### **Request For Clarification from FINRA**

We request that FINRA clarify proposed section 3110.19(e), which requires as part of the risk assessment 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.*” (emphasis added). It is not clear whether the emphasized phrase is meant to modify all the listed types of communications or only examinations. It may be difficult to determine how these non-investigatory<sup>6</sup> communications indicate a risk presented by an RSL absent an indication of supervisory concern. FINRA should consider updating its amendment to read as follows:

regulatory communications from a Regulator indicating 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

---

<sup>3</sup> See comments to SR-FINRA-2022-019, Release Nos. 34-95379 (July 27, 2022) and 34-96191 (Oct. 31, 2022).

<sup>4</sup> See Release No. 34-52403 (Sept. 9, 2005); 70 FR 54782 (Sept. 16, 2005); File No. SR-NASD-2003-104 (Order Granting Approval of Proposed Rule Change Relating to Proposed Uniform Branch Office Definition) that provided a personal resident exemption from the branch office definition for registered representatives engaged in specified sales activities and imposed a periodic inspection requirement upon such locations.

<sup>5</sup> See SIFMA Comment Letter to SR-FINRA-2023-006, Release No. 34-97237, dated Apr. 27, 2023, <https://www.sec.gov/comments/sr-finra-2023-006/srfinra2023006-20165204-334508.pdf>

<sup>6</sup> The proposed language is based on the Form U4’s definition of investigation, which excludes subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, “blue sheet” requests or other trading questionnaires, or examinations.

inquiries or requests for information, deficiency letters, “blue sheet” requests or other trading questionnaires, or examinations.

**Expeditious Approval**

We request that the Commission act expeditiously, as it is a priority for our members to receive regulatory clarity over the workplace arrangements of their supervisors. Firms will also need considerable time to implement the Proposed Rule Change. The sooner the Commission acts, the sooner firms can prepare to implement and comply with the final rule.

\*\*\*

We appreciate your consideration of our comments. If you have any questions or require further information, please do not hesitate to contact me at (202) 962-7300 or [bcanepa@sifma.org](mailto:bcanepa@sifma.org).

Very truly yours,

*Bernard V. Canepa*

Bernard V. Canepa  
Managing Director &  
Associate General Counsel