



May 25, 2023

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

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

**Re: *Proposed Rule Change to Adopt Supplementary Material .18 (Remote Inspections Pilot Program) Under FINRA Rule 3110 (Supervision)***

**File No. SR-FINRA-2023-007; Release No. 34-97398**

Dear Ms. Countryman:

Charles Schwab & Co., Inc. and TD Ameritrade, Inc. (“Schwab”) appreciate this opportunity to provide the Securities and Exchange Commission (the “Commission” or “SEC”) with our comments in support of the Financial Industry Regulatory Authority, Inc.’s (“FINRA”) File No. SR- SR-FINRA-2023-007: Proposed Rule Change to Adopt Supplementary Material .18 (Remote Inspections Pilot Program) under FINRA Rule 3110 (Supervision) (the “Proposal”).

Schwab reiterates our support for the Proposal as it is an effort to provide the industry with a voluntary pilot program under which firms may continue remote inspections of certain locations without compromising our common goal of investor protection. We view this as a necessary and welcomed modernization of existing rules and remain consistent in our support.

Since the onset of the pandemic, much of the industry has operated in a remote and/or hybrid environment and has shown during that time that it can properly supervise its various branch and non-branch office locations without compromising investor protection. The Proposal would enable firms to implement a risk-based approach to one aspect of a larger supervisory program, the branch exam, while also providing sufficient data to FINRA to evidence and assess the adequacy of the approach over a longer period. The Proposal strikes a thoughtful balance of permitting firms to allocate compliance resources in an efficient manner while also ensuring that branch locations that rise above a certain risk threshold remain subject to an onsite exam. Schwab does not object to the changes made from last year’s proposal.

Consistent with our previous comment,<sup>1</sup> we reiterate that our support is based largely on the critical premise that an onsite or virtual exam is only one aspect of a broader supervisory program. For that reason, this Proposal does not weaken investor protections, but rather permits firms to appropriately design and execute their supervisory programs on a risk-adjusted basis. Even before the pandemic, Schwab conducted almost all its branch inspection preparation work remotely and this Proposal is a necessary step to modernize existing rules to match current practices. Additionally, with the increase in technological controls and oversight, the physical

---

<sup>1</sup> Charles Schwab Comment Letter dated August 23, 2022 to Proposed Rule Change to Adopt Supplementary Material .19 (Residential Supervisory Location).

May 25, 2023  
Page 2



location of the representative is no longer the sole or even primary factor in determining the inherent risk of a particular location.

Finally, we encourage the Commission to act with urgency on the Proposal in connection with the Residential Supervisory Location proposal as firms are in need of regulatory certainty in this area. We also encourage a thoughtful compliance period to ensure firms are given the ability not only to comply with new regulation, but to do so in a scalable and sustainable manner. We appreciate both FINRA's and the SEC's time and attention to these issues and are ready and willing to address any additional questions at your convenience.

Sincerely,

DocuSigned by:  
*Barbara Armeli*  
23AEFBB70C8E4D7...

Barbara Armeli  
Managing Director, Chief Compliance Officer  
Charles Schwab & Co., Inc.

DocuSigned by:  
*Lynn Konop*  
9654C0AB85D7427...

Lynn Konop  
Managing Director, Chief Compliance Officer  
TD Ameritrade, Inc.