



May 26, 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: *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 (the “Proposal”)*

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ writes to express our support for FINRA’s proposal for a voluntary, three-year pilot program for remote inspections of branch and other office locations.² It is a well-constructed pilot that will allow FINRA to assess the effectiveness of remote inspections as part of a modernized supervisory regime while preserving investor protection. The proposal, which includes changes to address stakeholder comments received on previous iterations, should be swiftly adopted to provide sufficient time for firms to prepare for their participation before the pandemic-related relief expires at the end of this year.

We remain steadfast in our support of this pilot, first proposed in July 2022, while broker-dealers were successfully conducting remote inspections throughout the COVID-19 pandemic. For the reasons we stated in our comments on the initial proposal and in several other instances, it is time to modernize the supervisory regime to reflect how the industry operates, employees work, and customers interact with their financial advisors.³ Allowing qualified firms to perform just one element of an overall supervisory

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 Proposal to Adopt Supplementary Material .18 (Remote Inspections Pilot Program), 88 FR 28620 (May 4, 2023), <https://www.govinfo.gov/content/pkg/FR-2023-05-04/pdf/2023-09444.pdf>.

³ SIFMA Comment Letter dated Sept. 6, 2022, <https://www.sec.gov/comments/sr-finra-2022-021/srfinra2022021-20138365-308398.pdf>.

regime that is continually monitoring – branch inspections – on a risk basis, in a pilot program, is responsible way to encourage innovation and modernize outdated rules.

Particularly because FINRA proposed a well-designed pilot. It builds off an existing rule and nearly three years of remote inspections conducted by broker-dealers during the pandemic without significant regulatory concerns. It provides FINRA with structured, standardized data that will allow it to assess the effectiveness of remote inspections across firms of varying business models and sizes. It includes numerous safeguards to ensure onsite inspections are conducted when appropriate, such as requiring firms to perform a risk assessment that considers a non-exhaustive list of risk factors, and scoping out certain, higher-risk locations, individuals, and firms from the pilot. In the latest filing, FINRA made a few changes to address stakeholder comments, including a requirement for participating firms to provide data from 2019, when branch inspections were last done fully onsite before the pandemic, to establish a baseline. The lack of significant changes compared to the initial proposal reflects a well-designed pilot.

As the current relief⁴ expires at the end of this year, the SEC should swiftly adopt this proposal to allow firms enough time to prepare for their participation. The pilot includes several provisions, from performing risk assessments to structuring data to meet the pilot’s requirements, that require time and effort by firms’ branch supervision teams. Firms would benefit from having at least six months to prepare for participation in the pilot.

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.

Very truly yours,



Bernard V. Canepa
Managing Director &
Associate General Counsel

⁴ Proposed Rule Change to Extend the Effectiveness of Temporary FINRA Rule 3110.17, SR-FINRA-2022-030 (Oct. 31, 2022), <https://www.finra.org/sites/default/files/2022-10/sr-finra-2022-030.pdf>.