

# FORESIDE

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By Email: [pubcom@finra.org](mailto:pubcom@finra.org)

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
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Dear Ms. Mitchell:

We are pleased to comment on Regulatory Notice 17-38 regarding Remote Branch Office Inspections.

[www.foreside.com](http://www.foreside.com)

The Foreside family of companies (“Foreside” or the “Firm”) includes nineteen affiliated limited purpose broker-dealers. As the principal underwriter of investment companies or as placement agent for alternative investments, the Firm primarily facilitates dealer agreements, reviews fund advertising, acts as a paying agent for 12b-1 and other fund-related payments and performs other similar back office functions. The Firm may also hold the securities licenses of certain employees of a sponsor/investment adviser or third-party marketer engaged in marketing registered or privately placed products. These Registered Representatives (“Representatives”) may engage in the marketing of registered or privately placed products to financial intermediaries, investment advisers and accredited or qualified investors that are primarily institutions. The Firm may also hold certain securities licenses of personnel employed by the Firm’s parent company.

Representatives do not open or maintain customer accounts, accept any customer funds for investment, or handle purchase, redemption or exchange requests. Representatives do not handle monies for investment nor are accounts established at the Firm. Investment monies are either wired or mailed directly to the issuer, if applicable, the adviser, or to a third-party agent of the issuer. As a limited purpose broker-dealer, the Firm does not maintain investor accounts, does not process transactions, and does not accept money for investment.

The Firm has many wholesalers in locations that have been designated non-branches or branch locations. In addition, several compliance department professionals are Advertising Review Principals who review fund marketing materials from their primary residence, designated an OSJ, via a web-based compliance system. Neither the wholesalers nor the Advertising Review principals’ office locations are held out to the public as offices of the Firm, nor do any of these offices maintain any books or records to examine or systems to test. Therefore, any inspection visit of these offices is extremely limited in scope and a poor use of compliance department resources given their low-risk activities.

We would welcome flexibility with respect to the inspection requirements for these locations, given the limited activity occurring by the licensed professional. The Firm should be able to determine the appropriate office visit schedule based on an internal risk assessment, which would include, among other factors, the number of people located in an office location or the disciplinary history of the representatives.

A remote inspection program would allow the Firm to dedicate resources based on a risk assessment as opposed to a regulatory obligation. The Firm believes that locations where limited or low-risk activities occur and no books and records are maintained would benefit from a remote inspection and have a significant positive impact on the Firm's resources. This proposal would affect approximately 500 locations. Staff resources and travel expenses to physically visit these locations seem unwarranted based upon the low risk of the activities occurring in these locations. A remote inspection alternative would achieve the same results.

In conclusion, the Firm should be able to determine the appropriate office visit schedule based on an internal risk assessment; however, if the location does not maintain any books and records, does not open accounts, does not have customers, and does not accept investor funds, it should qualify for a remote inspection. As such, the Firm would want to rely on a risk-based assessment to determine the appropriate inspection requirements for all locations.

Thank you for your time and consideration.

Sincerely,

  
Nanette K. Chern  
Chief Compliance Officer

  
Susan K. Moscaritolo  
Chief Compliance Officer