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VIA E-MAIL (pubcom@finra.org)

August 5, 2025

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA 1700 K Street, NW
Washington, DC 20006

Re: FINRA Regulatory Notice 25-07

Dear Ms. Mitchell:

On behalf of the Alternative & Direct Investment Securities Association (“ADISA”)¹, we are submitting this comment letter regarding the request for public comment set forth in Regulatory Notice 25-07 – Supporting Modern Member Workplaces (the “Notice”). The Notice contains a broad request for comments on ways to evolve certain FINRA rules, guidance and processes to reflect modern business practices and markets; support innovation and new technologies; promote efficiency; and eliminate unnecessary regulatory burdens. ADISA members include retail broker-dealers, managing broker-dealers (collectively “BDs”), and registered persons. ADISA appreciates the opportunity to provide comments on behalf of its members.

1. Rule 3110 – Branch Offices and Hybrid Work.

ADISA recommends that branch supervision requirements be set forth in a single, holistic, principles-based rule, which does not prescribe any specific timelines for audit, etc., but instead is designed to provide a framework for firms to build a risk-based system tailored to the specific risks present in each situation.

If FINRA were to use a more holistic, principles-based supervision framework, it would allow for different types of supervision based on the circumstances of the supervised persons. We believe, based on feedback from our members, that supervision requirements, including audit requirements, can and should be tailored to the risks presented by the use to which a particular branch is put and the degree to which a branch is used to conduct business with the public or only for the business use of associated persons. In particular, the ability to surveil and review the activity of registered representatives via remote applications means that supervision can take place in large part without the need for a specific annual

¹ ADISA (Alternative & Direct Investment Securities Association) is the nation’s largest trade association for the non-traded alternative investment space (i.e., retail vs. institutional). Through its 5,000 financial industry members (over 1,000 firms), ADISA reaches over 220,000 finance professionals, with sponsor members raising in excess of \$200 billion annually, serving more than 1 million investors. ADISA is a non-profit organization (501(c)(6)), registered to lobby, and also has a related 501(c)(3) charitable non-profit (ADISA Foundation) assisting with scholarships and educational efforts.

audit of that location. A rule that considered the supervised representative's use of the location and the ability to conduct supervision and review activities as to the representative(s) using that location on a remote basis would be an improvement, in our view, in terms of both cost as well as efficiency.

The following example highlights the need for this change. If a registered representative utilizes a small, rented office in a co-working space where they keep no physical records or files, and no infrastructure in that office other than a desk, chairs, and a source of power, the representative may not meet with clients at all. Alternatively, the representative might meet a client in the space, and when they do so, he or she would bring a laptop, and a picture frame with the required relationship language plus the SIPC disclosure. Their laptop is equipped with modern device monitoring software, has an "always-on" VPN solution, and all files are stored in cloud-based storage solutions. The representative advertises his or her co-working space address on his or her basic website, which meets the definition of "holding out" and triggers the branch office requirements, but the only reason they have that office space is due to clients needing the comfort of a physical location. Once the meeting is over, the representative grabs his or her laptop and disclosure sign, and walks out.

In the current environment, the broker-dealer would need to build a supervisory system, with the goal of examining that physical location for items that are extremely unlikely to ever be at that location. There are no basic branch examination requirements that cannot be accomplished remotely based on this scenario. In fact, an audit of that registered representative can be accomplished remotely without the registered representative even being aware and the risks can be managed more effectively than a physical examination.

While a physical location might warrant an onsite visit, the vast majority of auditing is done remotely, more consistently and generally without the knowledge of the registered representative. It seems as though the value of such consistent, remote monitoring of the digital "space" will exceed that of any audit of the physical space.

ADISA believes supervision requirements should be set forth in a single, holistic, principles-based rule that does not prescribe any specific audit timelines, but instead is designed to provide a framework for firms to build a risk-based system and tailor it to the specific risks present in each situation. The definitions of a branch office and OSJ are outdated and unnecessary given the realities of the modern workplace and technology, particularly as it respects remote surveillance and review activities.

2. Qualifications and CE.

ADISA recommends that FINRA explore removing firm sponsorship as a requirement for examinations, as it disadvantages smaller firms who do not have the same resources as larger firms to support those who are trying to obtain their licenses.

It is often difficult to find appropriately licensed individuals to fill the roles needed at firms. Smaller firms have experienced this especially as it relates to filling supervisory roles, which require supervisory licenses. The examinations for the various principal's licenses do not provide the technical know how to act in those roles without significant onsite training. Ultimately, an effective supervisor is built from training and experience, and the examination, while ensuring personnel in supervisory positions are properly educated, is merely one part of finding qualified candidates.

FINRA should explore removing the firm sponsorship requirement and allow people to take exams at their leisure. The current system serves to provide a steady stream of fresh young people to the largest firms, who have the time and money to invest in getting someone licensed. While it provides a

significant advantage to those larger firms, it also necessitates those new employees to start at larger firms because they require that sponsorship for the examinations.

In addition, those examinations should be split into smaller, highly focused segments, which would allow a person to work towards an overall licensure goal over smaller, more targeted steps. For example, in order to review communications with the public, the registered person reviewing these materials would only need to pass certain parts of the licensing examination to review those marketing materials. If, on the other hand, that person has only the standard registered representative license but not the supervisory license, there is a minimum 90-120 day delay for them to complete the license. If the registered person was only going to review marketing/advertising materials, and there was a separate supervisory license focused solely on communications with the public, that person would be able to step into that role much more quickly than having to take the entirety of the Series 24 licensing examination.

This type of framework would work well with career progression, reduce the barriers of entry for employees, and vastly improve a firm's hiring process.

3. Recordkeeping and Digital Communications.

ADISA recommends that FINRA issue guidance stating that notetaking transcripts utilizing artificial intelligence ("AI") are not required to be captured in an archival system, as they do not qualify as either communications received or communications sent by broker-dealers.

We all believe the rapid rise of AI is going to change so many things currently being utilized in business. One of the most obvious and already-present areas is in communications, particularly in notetaking. The AI assisted notetaking technology is an incredible value for any company. It significantly reduces the time needed to document activity, and improves the quality of the documentation. However, the lack of guidance on whether these technologies require capture in an archival system for purposes of Rule 17a-4 makes firms archive these summaries out of an abundance of caution.

Rule 17a-4 requires a broker-dealer to preserve originals of all communications ***it receives*** and copies of all communications the ***broker-dealer sends*** (including inter-office memoranda and communications) relating to its business as such, including all communications with the public that are subject to the rules of the SRO of which the broker-dealer is a member. (Emphasis added.)

The summaries provided by these AI assisted notetakers clearly do not fall into either category. The archiving of personal notes has never been required and these technologies should be viewed similarly. If an assistant sits in on meetings and handwrites notes, those notes are not required to be preserved. Additionally, if a phone call is recorded, unless subject to certain specific requirements, that recording is not required to be preserved. Therefore, a transcript produced by AI or the edited summary of such transcript, of such meeting or phone call, should not be required to be archived in the absence of that transcript or summary being shared with customers. Given the lack of regulatory guidance, however, firms are unnecessarily spending time and resources to capture and archive these transcriptions and/or summaries out of an abundance of caution. This creates a significant amount of extra material to be archived, taking up time and cost that could be better used elsewhere in protecting investors.

FINRA should provide guidance to firms to give more certainty to archiving requirements and allow firms more flexibility to adopt new and useful technologies without the unnecessary burden and cost of integration with an archival provider.

ADISA appreciates the opportunity to provide input. The rapid and ongoing introduction of technology as well as changes to ways in which work is done (and where it is done) suggests that this is a good time for FINRA to review what may be outdated rules that place too great an emphasis on physical supervision and do not incorporate advances in remote surveillance and review activities. We would be happy to discuss our concerns across the host of issues presented by ever-changing developments in technology and to continue to assist FINRA in modernizing its rules while appropriately protecting investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Iak", with a stylized flourish at the end.

Matthew Iak
President

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