July 14, 2025

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

Re: Comments on Regulatory Notice 25-07 (Supporting Modern Member Workplaces)

Dear Ms. Mitchell,

The American Securities Association[1] (ASA) appreciates the opportunity to comment on FINRA's Regulatory Notice 25-07, which seeks to modernize rules and guidance to reflect the realities of today's technology-driven workplaces. We are encouraged by FINRA's proactive approach and applaud the commitment to fostering a regulatory environment that keeps pace with industry innovation. ASA supports this initiative and looks forward to contributing constructive perspectives to help shape a flexible, forward-looking regulatory framework that benefits all market participants.

I. Modern Workplace and Technology Adaptation

Advances in technology—including AI, mobile applications, and decentralized communication platforms—have fundamentally reshaped how member firms conduct business, serve investors, and supervise personnel. To keep pace, FINRA's rules should embrace technology-neutral language that accommodates emerging tools without requiring constant revisions. For example, generative AI's rapid adoption underscores the need for principles-based standards that prioritize outcomes (e.g., accuracy, fairness, transparency) over prescriptive technical requirements. We support innovation, balanced with robust safeguards to protect investors and market integrity. We encourage FINRA to establish a standing committee to periodically reassess rules at predefined intervals as workplace practices evolve.

II. Branch Offices, Hybrid Work Arrangements, and Office Definitions

The current definitions of branch office, OSJ, and non-branch office do not align with hybrid work models. To enhance clarity and reduce compliance uncertainty, FINRA should carve out

[1] ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

non-client-facing and non-supervisory roles (e.g., Operations, IT, Compliance, Finance) from the non-branch office definition, streamlining inspections for personnel who neither supervise nor interact with clients. Additionally, the Residential Supervisory Location (RSL) framework would benefit from clearer parameters to prevent firms from over-designating managers (e.g., operational supervisors) as RSLs when they lack sales or supervisory duties. We suggest broadening the RSL definition to include those meeting the current OSJ definition for FINRA Rule 3110(f)(1)(A) through (B) and provide further clarification on FINRA Rule 3110(f)(1)(C) with respect to what constitutes maintaining custody of customer funds and securities.

Furthermore, we encourage expanding the remote inspections pilot program and consider permanently allowing virtual reviews for low-risk roles, provided supervision and recordkeeping standards are met.

III. Modernize FINRA Rule 3110

We respectfully recommend that FINRA revise Rule 3110(f)(2)(A)(i) to read: "Any location that is established solely for customer service or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office is exempt from both registration as a branch office and internal inspection requirements."

We also request that FINRA adopt the following principle in its rulemaking and guidance: "Any location that is established solely for customer service or back office type functions, where no sales activities are conducted and that is not held out to the public as a branch office, shall be exempt from both branch office registration and internal inspection requirements, regardless of whether people-management or non-sales supervisory functions are performed at the location."

These updates would ensure that personal residence locations performing only customer service or back office functions—where no sales activities occur—are unambiguously excluded from both branch office registration and periodic inspection obligations, regardless of whether supervisory personnel are present, provided those personnel do not supervise sales activities.

We urge FINRA to clarify that the presence of people-management or operational oversight functions at such locations, in the absence of sales supervision, does not elevate the location to a Residential Supervisory Location (RSL) or otherwise subject it to heightened inspection cadence. We believe there is limited benefit to conducting on-site inspections of back office or customer service locations, especially given the centralization of books and records and the absence of retail client interaction. At these locations, where there are no sales supervision duties, no trading, no solicitation of transactions, no handling of customer funds or securities, and no public-facing activities, there is little—if anything—of substantive risk to inspect, even virtually.

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The legacy requirements embodied in Rule 3110(f)(2)(A)(i) could be updated to better reflect the current reality of electronic records, centralized workflow systems, and technology-driven supervision. Modernizing the rule and updating guidance to exempt such locations from both branch registration and inspection would enable firms to focus compliance resources on higher-risk activities, consistent with FINRA's own risk-based approach and the evolving nature of financial services work.

IV. Registration Process and Information Management

Modernizing registration forms (e.g., Forms U4, U5, BD) is crucial to reflect decentralized workforces. FINRA should actively collaborate with the SEC to streamline requirements for reporting workforce locations, ensuring disclosures are meaningful without being overly burdensome.

V. Delivery of Information to Customers

Electronic delivery should be the default for disclosures and communications, given investor preferences for digital engagement. However, FINRA should thoughtfully preserve opt-out mechanisms for those less comfortable with technology.

We also respectfully highlight a critical inconsistency in FINRA Rule 2231.02, which restricts agents with power of attorney from designating themselves as sole recipient of the principal's account statements without court-appointed guardianship if the customer is unable to provide written instructions. This interpretation may unintentionally increase fraud risks by limiting firms' ability to allow a POA to change the customer's address and to cease sending statements to an address no longer occupied by a customer, such as when they are moved into assisted living or hospice. FINRA and the SEC should thoughtfully consider the undue hardship placed on POAs—often family members—who, during already stressful periods of caregiving, relocating an ailing parent, or managing end-of-life arrangements, are forced to undertake the costly and time-consuming process of obtaining court-appointed guardianship simply to ensure that sensitive account statements are redirected appropriately and not sent to an outdated address where they could fall into the wrong hands. We kindly suggest this rule be revised to enhance investor protection.

VI. Recordkeeping and Digital Communications

Digital and AI-generated communications present important compliance challenges, particularly with retention and supervision. FINRA would benefit from clarifying requirements for "business as such" communications and providing examples of acceptable practices.

VII. Fraud Protection and Investor Safeguards

While technology improves fraud detection, it also enables sophisticated scams. The industry would greatly benefit from enhancing Rule 2165 to allow broader use of temporary holds for suspected exploitation and promote cross-regulator data sharing to identify fraud patterns. Vulnerable investors, including seniors, would be well served by standardized trusted contact protocols and AI-driven anomaly detection tools.

VIII. Interaction with Other Regulatory Requirements

Harmonizing FINRA rules with SEC, state, and other SRO requirements is key to reducing redundancies. For example, conflicting definitions of "branch office" across jurisdictions create unnecessary complexity. FINRA could lead efforts to align these standards, fostering efficient compliance and consistent investor protections.

IX. Conclusion

The ASA is eager to collaborate on FINRA's efforts to modernize its regulatory framework. We sincerely thank you for considering our recommendations.

Sincerely,

Jessica Giroux

Jessica R. Giroux
Chief Legal Officer
American Securities Association