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July 15, 2025

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506
Via Electronic Mail to pubcom@finra.org

Re: FINRA Regulatory Notice 25-07 – Request for Comment on Modernization of Branch Office Definitions, Supervision, Registration, Recordkeeping, and Related Requirements

Dear Ms. Mitchell:

We appreciate the opportunity to comment on FINRA's Regulatory Notice 25-07, which proposes a review to modernize FINRA rules and regulatory frameworks applicable to member firms and associated persons. Apex Clearing Corporation ("Apex" or "we") commends FINRA for its forward-thinking approach to tailoring regulatory requirements to technological advancements, market evolution, and operational changes.

The comments below address specific questions and request areas raised in the Notice, along with additional suggestions that we believe align with FINRA's mission of protecting investors and promoting market integrity. Apex submitted additional comments in connection with FINRA Regulatory Notice 25-04 on June 11, 2025, which should be reviewed as well in connection with this comment letter, as there are some areas of overlap between Regulatory Notices 25-04 and 25-07 and Apex's responses to each.

We strongly support FINRA's focus on modernizing its regulatory framework to reflect the evolving financial services landscape and reduce unnecessary burdens on member firms, while continuing to uphold robust investor protections. Specifically, we commend FINRA's recognition of the importance of innovation, adoption of new technologies, and adaptation to modern workplace practices to ensure a competitive and fair marketplace.

1. Branch Offices and Hybrid Work: Modernizing Branch and OSJ Definitions, Inspection Requirements, and Office Designations

Modern technological advances have substantially changed how financial firms, including Apex, conduct business and supervise operations. Previously, business and supervision occurred in physical offices, but today, business is conducted on centralized, secure electronic systems accessible anywhere—whether from home, an office, or during travel. Supervisors routinely oversee employee activities through virtual private networks, identity and access management, electronic surveillance tools, and robust recordkeeping platforms. As a result, real-time and effective supervision no longer require physical proximity but instead are achieved through authorized, system-based access.

Similarly, FINRA’s integration of technology into its examination process demonstrates that digital tools can secure compliance objectives efficiently and thoroughly, often with less disruption and significant cost savings.

A. Eliminate the outdated OSJ Concept

Apex strongly recommends eliminating the “Office of Supervisory Jurisdiction” (OSJ) concept under Rule 3110. Modern supervision and compliance tools have rendered location-based supervision outdated. Key activities historically tied to physical OSJs—such as order execution, market making, or reviewing account applications—are now completed via secure electronic platforms accessible from any authorized location. Physical presence is no longer the key element of effective supervision; rather, secure access to centralized systems is. If the OSJ designation is not eliminated, it should be thoroughly modernized to reflect these technological realities. For example:

- Order execution and market-making can and should take place from any authorized location, including remote or non-branch sites, given that surveillance occurs electronically.
- Structuring offerings and committee reviews are conducted virtually.
- Activities such as account approval or endorsement of orders are managed in electronic workflows.
- Risk profiles should not be determined merely by the physical concentration of registered individuals but by actual business and supervisory risk factors.
- Branch and non-branch office definitions should also reflect these technological changes, focusing on risk and function rather than location.

B. Expand Non-Branch Location Exemptions and Rationalize Designations

The rules should be amended so “branch office” versus “non-branch office” determinations are made based on risk and the types of in-person business conducted, not merely on location. Specifically:

- Non-branch exceptions should be more broadly applied, including alternate work locations (secondary residences, co-working spaces, long-term rentals) rather than limiting to primary residences.
- The requirement to list remote work residences on Form U4 should be eliminated, along with the obligation for centralized lists of non-branch residences.
- Familial relationship requirements for multiple registered persons sharing living spaces should be removed in favor of a risk-based approach focused on confidentiality.
- “Back-office” functions should be clearly defined, and rules preventing certain non-branch locations from supervising other locations should be reevaluated for modern relevance.

C. Residential Supervisory Locations (RSLs)

RSL designation has been valuable, yet further improvements are warranted:

- RSLs engaged solely in back-office supervision (without customer contact, fund handling, or securities access) should have fewer requirements than front-line supervisory sites.
- Supervisory experience requirements should be broadened to count relevant experience at other firms and allow firms to designate RSLs on a risk-assessed basis.
- Firms should have more discretion to determine which functions can be conducted remotely.
- National and state-level regulatory standards (including NASAA and NYSE) should be harmonized to ensure consistent treatment of RSLs.

D. Inspections

Apex believes the inspection regime should be risk-based:

- Rules should not categorically prohibit remote inspections based on physical activities at a site (such as proprietary trading), but leave this to firm-level risk assessments
- Inspection requirements for non-branch locations, especially where only permissive registrants or non-registered associated persons are present, should be eliminated unless warranted by risk factors.

E. RSL Experience and the Remote Inspection Pilot

Apex believes that remote inspections deliver significant efficiency and reduce operational burdens. To further improve this approach, we recommend:

- Providing clearer guidance on RSL eligibility and refining the definition of “significant findings.”
- Eliminating bright-line ineligibility for remote inspections based solely on the presence of particular disciplinary actions or certain trading activities—these factors should inform, but not dictate, the risk-based analysis.
- Clarifying that annual risk assessments suffice for inspection scheduling.
- Permanent adoption of the remote inspection pilot.
- Coordination with MSRB and state regulators to standardize and streamline inspection obligations across jurisdictions.

2. Registration, Licensing, and Continuing Education

Apex supports longstanding innovations such as the Securities Industry Essentials (SIE) and advocates further modernization of registration and education processes:

- Permit remote exam delivery for all qualification examinations to increase access and efficiency
- Eliminate or shorten exam “retake” waiting periods for failed exams (e.g., after the third failure, reduce the 180-day gap).
- Expand and formalize waivers and exemptions for candidates with relevant experience, credentials, or other professional accomplishments.
- Allow non-associated persons to sit for representative-level exams, enabling pre-qualification and improving hiring flexibility.
- Allow or clarify that member firms may hold registrations for individuals even if the member firm does not currently conduct business within the activities covered by the license category (for example, it should not be considered “parking” to hold Series 86/86 licenses for individuals even if the member firm does not engage in research activities as long as the individual completes continuing education requirements.
- Separate the Series 27 and 28 into financial and operational elements.

For continuing education, Apex requests:

- Advance notice of Regulatory Element topics to allow optimal customization of firm-specific training.
- Greater flexibility to exempt employees with limited client contact or a clean longtime record.
- Harmonization across states and professional organizations for reciprocal credit.
- Streamlined training modules that recognize testing proficiency.
- Enhanced FinPro dashboard transparency regarding continuing education and MQP eligibility.

Apex values the Maintaining Qualifications Program and recommends:

- Automatic enrollment of eligible individuals.
- Removal of the five-year limit, as continuing CE is a sufficient safeguard.
- BrokerCheck transparency regarding MQP eligibility.

- Coordination with NASAA to promote national uniformity and include military service deferrals under CE.

4. Delivery of Information to Customers (E-Delivery/Negative Consent Letters)

Apex strongly supports a transition to default e-delivery for investor documents, reflecting operational efficiency, lower fraud risk, reduced costs imposed on investors, and mounting investor preference. Customers should always retain the right to opt out and receive paper if desired; existing electronic delivery of any documentation should suffice as a basis for expanded e-delivery. Regulatory frameworks, including negative consent for non-material changes, should be modernized to fit client and business expectations, including unified handling of transfer processes for related account types.

5. Recordkeeping and Digital Communications

A. Preservation of Communications

The scope of “business as such” for communications retention is overly broad, generating uncertainty about what must be preserved. This prompts over-collection and increased costs with minimal compliance benefit. Apex urges FINRA to support industry efforts to modernize recordkeeping rules and clarify “business as such,” including category-based exemptions (e.g., event invitations, certain chat or social messaging). Apex recommends aligning FINRA Rule 4511(b) to the Exchange Act’s three-year standard and advocating for statutory harmonization across regulatory regimes.

B. Supervision of Digital Channels

Apex urges FINRA to work with the SEC to permit a more risk-based approach toward digital communications review and supervision. We support continuing innovation in digital compliance programs, which should target the platforms and channels that present actual compliance risks.

C. Regulatory Communications Modernization

Apex encourages:

- Permitting routine translation of key documents without separate Rule 2210 approval for each language version.
- Allowing the “one-click-away” approach and layered format for online disclosures.
- Implementing forthcoming Rule 2210 amendments for communications containing performance projections, in line with analogous Adviser Act provisions.

D. Fingerprinting

Fingerprinting requirements are often duplicative and present operational inefficiencies. Allowing for shared fingerprint records across affiliated entities and regulators would reduce burdens. Additionally, individuals who have been continuously registered with FINRA should be exempt from a new fingerprint requirement when associating with a new member firm unless the registration gap exceeds some defined period of time (e.g., 90 days). Overseas associated

persons should generally be exempt from fingerprinting. Apex supports notification enhancements for vendors, participation in continuous “Rap Back” background check systems by FINRA, and harmonized recordkeeping approaches.

E. Clarity on Associated Persons and Offshore Vendors

Clarity regarding the definition of an associated person is needed, focusing the label on those with customer engagement and excluding pure operational support. Clarification is also needed around the use, onboarding, and supervision of offshore vendors and subcontractors, with FINRA sharing best practices in these areas.

Conclusion

Apex appreciates FINRA’s efforts to modernize the supervisory, registration, and recordkeeping regulatory frameworks. We believe the above recommendations will foster a more risk-sensitive, efficient, and technologically-current regime that continues to robustly protect investors and ensure the integrity of markets while removing unnecessary, outdated compliance burdens. We would welcome the chance to discuss our feedback further and provide additional input as needed. Please do not hesitate to contact me at Rkhurana@apexfintechsolutions.com.

Sincerely,

/s/ Rajeev Khurana

Apex Clearing Corporation
Rajeev Khurana
Chief Legal Officer