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July 14, 2025

By Electronic Transmission

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:

We appreciate the opportunity to comment on FINRA's effort to modernize the way broker-dealer firms and their associated persons operate in the workplace. We strongly support FINRA's efforts to assess and modernize its rules in this area.

Capital Client Group, Inc., a registered broker-dealer, is part of The Capital Group Companies, Inc., one of the oldest and largest privately held investment management organizations in the United States with more than 90 years of investment experience. Through our investment adviser affiliates, we actively manage equity and fixed income investments across all market sectors in various collective investment vehicles and institutional client separate accounts. The vast majority of these assets consist of the American Funds family of mutual funds as well as other U.S. regulated investment companies for which Capital Client Group serves as principal underwriter and distributor.

Work with the SEC to modernize recordkeeping requirements to accommodate evolving technologies

The Securities Exchange Act of 1934 ("Exchange Act") imposes broad document retention requirements on broker-dealer firms. In particular, the Exchange Act requires broker-dealers to preserve communications related to its "business as such."[1] This broad standard should be updated to reflect modern technologies and business practices. This standard has been a challenge to our firm's adoption of new technologies and has caused us to develop retention policies that are inefficient and provide no value to our clients or to our compliance oversight process. For example, due to the burdensome recordkeeping requirements we have limited the use of certain workflow tools that are used by cross-functional groups within our organization. The result of this is that associates within the broker-dealer do not have access

[1] Securities Exchange Act Rule 17a-4.

or have limited access to certain tools, depriving them of the efficiencies and collaborative features. Furthermore, the rule requires us to retain an extremely broad set of communications, many of which do not relate to our securities business, but as a practical matter cannot be separated from business communications. This leads to additional costs to store the information and distracts from our review of more substantive communications.[2] Additionally, the rule creates challenges for corporate services that are provided by our affiliates that are not registered broker-dealers. For example, functions such as information technology and business continuity are performed by affiliates. While these functions relate to our business, these types of communications pose no risk of compliance violations, yet we expend resources to capture and monitor communications related to these functions. These resources could otherwise be devoted to areas that could enhance compliance and lower risk.

While we understand FINRA is not responsible for the rules adopted under the Exchange Act, we encourage you to highlight these issues for the SEC and encourage additional rulemaking or guidance on the topic. We believe firms should be permitted to take a risk-based approach in determining which communications and records related to their business should be retained and monitored. The recordkeeping rules under the Investment Adviser's Act of 1940 are narrower than the Exchange Act Rules and we believe they have been effective in promoting compliance with federal securities laws. A similar approach should be considered for broker-dealer records.

Finally, we believe FINRA's record retention Rule 4511(b) should be updated to implement a retention period of three years which would be consistent with Exchange Act Rule 17a-4(b). Having a uniform standard for all broker-dealer records is more efficient and facilitates compliance.

Modernize the rules regarding branch offices and hybrid work

Over the last several years the way individuals in the financial services industry work has fundamentally changed. Work is no longer tied to a specific location or a standard set of business hours. The concepts of offices of supervisory jurisdiction ("OSJs"), branch and non-branch offices were developed at a time when virtually all work was tied to an office location where individuals needed to be present in the office to perform their responsibilities. Accordingly, these definitions have less relevance today and should be updated.

We require our associated persons to conduct all business through our secure, encrypted network regardless of where or when they are working. Virtually all of our compliance monitoring is through electronic tools and we have found them to be effective in identifying, preventing and resolving compliance issues. Accordingly, we believe FINRA should move away from its location based approach to supervision. FINRA should consider eliminating the concept of an OSJ, which was designed for a traditional workplace. The functions requiring the designation of an OSJ in Rule 3110 are in many cases performed electronically, making the definition less relevant to current practices.

Similarly, the definition of a branch office should be updated to allow non-branch locations other than an individual's primary residence. In today's environment associated persons may

[2] Costs are increased by the SEC's requirements to utilize write once read many or audit trail technologies.

work from several locations throughout the year, including their home, firm offices, vacation homes or short-term rentals. The conditions in section (f)(2)(A)(ii) of FINRA Rule 3110 provide appropriate safeguards regardless of the physical location of the associated person. We believe that our process to supervise associates electronically has been effective in detecting and preventing compliance issues regardless of an individual's physical location. It would also be helpful to permit more than one associated person to work from the same non-branch location. The requirement of 3110(f)(2)(A)(ii)(a) restricts roommates or significant others, other than married couples, from working concurrently in the same remote location. While this situation can lead to potential conflicts of interest or confidentiality concerns, firms should have the ability to review and approve such arrangements subject to proper supervision.

Modify the requirements for Residential Supervisory Locations

Our experience with FINRA's recently adopted rule regarding Residential Supervisory Locations ("RSLs") has been positive. However, we believe the rule should be modified to eliminate the requirement that a location is ineligible as an RSL when the supervisor has less than one year of supervisory experience with the member firm. We believe firms should be able to take a risk-based approach in determining eligibility for RSL status. Firms should be able to consider past supervisory experience with other firms to determine eligibility. In addition, training and oversight of associated persons could be considerations in allowing establishment of an RSL. We also encourage FINRA to work with North American Securities Administrators Association and state regulators to encourage states to apply a consistent approach for their RSL requirements.

Permit more flexibility for inspections of branch and non-branch offices

FINRA should update its rules to provide more flexibility for how and when a member reviews branch and non-branch offices. We believe firms should have the flexibility to implement a risk-based approach to determine the frequency and type of inspection (i.e. in person or virtual). Firms should consider factors such as the activities conducted at the location, the level of interaction with retail investors, and the disciplinary history of individuals at the location. We are participating in FINRA's pilot program for remote inspections and have found it to be effective, particularly for inspections of non-branch locations where the associated person conducts all activities virtually. We encourage FINRA to update its rules to allow this flexibility permanently.

The MQP Program should not be limited to five years

We have found FINRA's MQP program to be a valuable tool for registered persons who change roles where a securities registration is not required. The program allows them to restore the registration if they later move back to a role that requires it without the burden of re-testing. We encourage FINRA to eliminate the five-year limit on the MQP program. We believe an individual should be able to restore their registration at any point if they satisfy their ongoing continuing education requirements.

Broaden the use of electronic delivery

FINRA should work with the SEC to permit electronic delivery as the default option for delivery of customer documents including regulatory disclosures. Electronic delivery is more reliable and secure, reduces investor costs and improves the environment by eliminating paper consumption.

Reduce the waiting period for licensing examinations

FINRA should reduce the waiting period for failed examinations. Individuals should be able to retest 15 days after the first two exam failures and 30 days after a third exam failure. We believe taking the test sooner rather than later would benefit many individuals by re-testing while the material is fresh in their minds from recent studies.

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If you have any questions regarding our comments or would like to discuss further, please feel free to contact AJ Aguilar at AJ.Aguilar@capgroup.com or Timothy W. McHale at Timothy_McHale@capgroup.com.

Sincerely,

AJ Aguilar
Vice President and Chief Compliance Officer
Capital Client Group, Inc.

Timothy W. McHale
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