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Via email: pubcom@finra.org

We appreciate the opportunity to comment regarding "Supporting Modern Member Workplaces" as discussed in Regulatory Notice 25-07.

Steve Jobs has been quoted as saying, "Technology is nothing. What's important is that you have faith in people, that they're basically good and smart, and if you give them tools, they'll do wonderful things with them." We should begin our comment letter with these words in mind. Modernization is a wonderful thing for the most part and modern technology is a wonderful addition to our industry. What needs to be remembered is that the backbone of this industry is the individuals who are employed in it and that Regulators have often set up obstacle courses for us to navigate despite the advance of technology. In our previous comment letter to FINRA (Regulatory Notice 25-04) we advocated for the "KISS" philosophy (Keep it Simple Stupid). As a general comment to the topics to be addressed in RN 25-07, we will say that this is our mantra. While we are adamant in our support of FINRA's mission of investor protection, we are equally adamant about the significant need to modernize the workplace of the regulators, FINRA and others included, and the broker-dealer constituents in a manner in which Associated Persons can function efficiently and fairly in a less burdensome fashion.

The two authors of this letter grew up when Wall Street functioned in a physical capacity. Paper was our friend. Our world was not virtual. We worked in an office, met with clients in our office, made paper copies of our documents, spoke on the phone with our clients and used the US mail (and maybe the fax or telecopy machine) to send communications. We depended a great deal on trust and handshakes and the ease of complying with regulations. That world has altered greatly. We now have email, internet, IM, platforms upon platforms and social media. We have more ways to communicate than ever before. We have ease and speed in how we can communicate and how our communications can be maintained and monitored. We share information in a matter of nanoseconds, milliseconds, seconds, or minutes and not days or weeks. We can monitor Associated Persons and transactions remotely and efficiently. We can even use Artificial Intelligence tools to enhance products and services for investors, and this will continue to change and advance. With these advances in technology, our industry has also advanced and will continue to advance. We applaud changes in regulation that make sense, i.e., permitting electronic signatures, the allowance for maintaining electronic records in the "cloud" and allowing online participation for the Regulatory Element. We appreciate the launching of the Maintaining Qualifications Program to

extend the length of licensing once an individual has left the industry from 2 to 5 years but still would advocate for no restriction on the number of years that licensing is held, as other professions do, so long as continuing education requirements or perhaps so long as a particular individual has been registered for a significant number of years, are met.

In our FINRA comment letter noted above, our Firm addressed the issue of burdensome regulations and the need for simplification of rules and universality of regulations. We have a federal regulator, the SEC, which establishes rules for our industry. We are happy to comply with its Federal regulations. The modernization process should streamline regulations and create a universality of laws, rules, documents required and the approval process. The multiplicity of State regulations, Federal regulations and FINRA regulations are inefficient, impractical, and confusing. MSRB rules and those of various exchange marketplaces add to the difficulty body of knowledge that industry participants are forced to comprehend and deal with on a regular basis.

Too many rules lead to less compliance. The complexity in which many rules are presented leads to less compliance. Different standards lead to less compliance. Here are some clear examples:

- Compliance Officers often ask us about the Blue-Sky laws and when a broker-dealer needs to be registered and the registration of agents. Why is it that some States have institutional exemptions and some States have no exemptions? Form BD has 53 different jurisdictions to be followed. When investors cross a State line, do they suddenly morph into another life form with different reasoning? Why not have a universal requirement for the registration of broker-dealers and agents? There would be fewer violations and more compliance were universal standards enacted. What constitutes a presence in a State? A physical office? Why not KISS; simplify to a common denominator. Is it sensible for industry participants to conform to varying standards?
- Registered Supervisory Locations was a well-intentioned revision to Rule 3310 but unfortunately missed the mark when it became evident that the definition of Branch Office in certain States did not align with the RSL criteria under the rule, creating confusion and potential rule violations. An RSL should be an RSL in any State. Period. We recognize that in this regard, it is the State jurisdictions that cause that confusion and we discuss later in this letter what FINRA should be doing in that regard.
- Annual Financial Statements must be filed individually with a few States, even though in our experience, despite those statements being filed in those States Since we never hear or see any comments from those States it seems as if nobody reads them anyway. Why would this make sense in any form or fashion? It appears to be another regulatory obligation that could be easily eliminated while investor protection remains.

Modernization means progress, progress means simplification and simplification means a common denominator, which applies under all circumstances.

Therefore, in RN 25-07's request for comment question A.2. resonates with us: "Should the Supervision Rule's branch office and OSJ definitions, inspection requirement, and designation and registration of offices be modernized to eliminate unnecessary burdens or ambiguities while

maintaining investor protection and market integrity? Should the branch office definition be amended in light of the technological advances that have changed how and where individuals work? Is the OSJ definition still relevant in today's environment? "If we were taking a test, the answer would be "D, All of the above." As highlighted through our bullet points, it makes no sense to give individuals multiple sets of regulations which create ambiguities and opportunities for violations. A definition of any type of office should be simplified and coordinated with the States, so that there is uniformity and elimination of confusion. We really don't believe that investor protection is at all linked to the definition of an office, registration of an office or the inspection requirement of an office. Other than a regulator, we have never known a client or investor in the author's collective 100 years of experience in the industry to question us as to a definition, registration, or inspection requirement.

We would like to address requests for comment A.1 and A.4 concurrently, as they are somewhat related. Modern technologies and compliance tools have made almost obsolete the need for a physical office inspection. There is usually nothing to gain from it, as OSJs or branch offices may be located in someone's bedroom, den, or garage (we have experienced that with clients!). There is usually nothing to be gained from a physical office visit, which is what was learned by the remote inspections that occurred during the Covid-19 pandemic. We appreciate the fact that the Regulators recognized that broker-dealers could be compliant regardless of their location, that supervision could occur and monitoring of client activity and Associated Persons' work conduct could be conducted remotely. We are stunned that FINRA itself conducts much of its member oversight remotely and does so efficiently and without any diminution in the quality of its oversight. What we don't comprehend is why the "Remote Pilot Inspection Program" was even instituted. The "Pilot" part is not necessary. We would like to know if there are any studies performed indicating that there were more violations that occurred during the Covid-19 Pandemic than previously. We would think not. Therefore, in the age of modern technology, with electronic surveillance tools being utilized by Regulators and broker-dealers alike, we would like to know why there had to be a "test" period after the real "test" period. Decentralized workplaces function as other workplaces do. It is a matter of the individuals' ethics and training who work at these decentralized locations. As Steve Jobs stated, you have to have faith in people and if you give them the right tools, they will do wonderful things with those tools. Rather than emphasizing the importance of where a physical body is located, institute rules and regulations that are comprehensible and can easily be followed along with regular training. This makes more sense to us.

In addition, request for comments in A.4. asks "…should the conditions and ineligibility criteria be revised based on business attributes such as the size of the member or differences in business models"? We think this question is redundant. Why ask? Would a physician treat all patients equally and not take into account their age or medical history? As a rule, all Regulators should consider the business attributes and business models of each broker-dealer individually, rather than create "one size fits all" rules that hardly apply to most small broker-dealers but can easily apply to large and well-staffed broker-dealers. Look at each broker-dealer for what it is and modify the requirements accordingly.

Request for comment E.1 asks to address concerns or challenges with respect to ensuring compliance with the recordkeeping requirements. As we said earlier, we applaud the Regulators for recognizing that the "cloud" is a highly utilized source of electronic record retention. That being said,

we have many clients that come to us for guidance on what to do with their paper records and how to make sure that if they are to be scanned, how to prove that they were not altered before being scanned to conform to the so-called WORM requirement. We suggest that the Regulators simplify and clarify how "business" is defined, to analyze and clarify what records are realistic to maintain and how to maintain them. In consideration of comment request for E.5. FINRA should consider changes to client disclosure requirements to include all communications channels and the benefits and detriments of each method to communicate to their registered representative. Additional simplified guidance on all matters related to recordkeeping and communications with the public would be warranted and much appreciated.

There are many more requests for comment that we would like to address, but for the sake of readability and conciseness we will stick to two that we feel strongly about. We strongly concur with the need to protect investors from fraud and financial exploitation. We concur that as industry professionals we should speak up if we see anything that would suggest fraud or exploitation, but we are neither FBI agents nor psychologists. In the course of our business, and with the proper ethics training, Associated Persons should be aware to bring inconsistencies and concerns about any unusual client behaviors or documents obtained to their supervisors. What we should not be expected to do or be held accountable for is what would be considered beyond any reasonable effort for anyone to detect easily. Along with this philosophy, FINRA Rule 2165 should apply to all individuals, not just "specified adults" because any individual can be taken advantage of by someone they have entrusted. This might include husbands and wives in the midst of a divorce and financial exploitation can occur from someone given "Power of Attorney" for a client of any age. We as Associated Persons can do our best in any given situation using common sense, but we are not highly trained professionals who can recognize all incidences of fraud and exploitation.

In conjunction with these thoughts is the issue of the education of clients and their responsibilities when investing. As we indicated in our response letter to RN 25-04, we believe that potential investors should take more responsibility through knowledge of the products that they are investing in, rather than placing the total responsibility on the broker-dealer. Modernization may include having investors participate in on-line courses, which educate them on the risks and rewards of various investments, similar to options clients being given a copy of "Characteristics and Risks of Standardized Options" issued by the Options Clearing Corporation, so that they know what they're getting involved with. When any of us have a medical procedure done, we are asked to sign off on the risks associated with the procedure. In our litigious world, this would be beneficial to our industry and our professionals and would be for the betterment of the investor for them to be more knowledgeable. *Caveat Emptor* should not cease to exist when dealing with a FINRA member

The last modernization improvement that we would like to address is that which is requested for comment in H.4. FINRA has the upper hand in its dealings with its members. An efficiency which can be put into effect is to modify the U4 Form to obtain only essential information on the associated person. We really don't believe that someone's height, weight, eye color, hair color, gender, or residential history for 10 years is necessary to assess someone's qualifications to be an industry participant, and in fact, may be prejudicial to the applicant when disclosed. Either an employer will totally ignore this information, which is most likely, or use it to disqualify an individual or pass judgement on them, in some cases illegally. A doctor does not require your eye color or hair color or

residential history, so why should a Regulator? Any type of really relevant information could be exposed through FBI fingerprinting results which the member obtains.Also, kindly revise U4 to allow for exceptions to disclosures for felony convictions that are required to be revealed relating to marijuana, since they are not necessarily crimes of moral turpitude and have little to do with whether an Associated Person can properly service the needs of customers. Stick to those disclosures that suggest possible violative behavior within our industry. That is what counts!

Regulators should also be required to provide Privacy Policies to their members with regard to the sensitive information they collect about their members. "Do as I say, not as I do, is unacceptable in these situations." As industry professionals our personal information is no less valuable than to any other individual's. In addition, Regulators should modernize their requirements to make it mandatory for their employees to take the same relevant licensing exams that they expect of their members' Associated Persons, so they can be on equal footing with those whom they regulate.

In Shakespeare's *Julius Caesar,* Cassius says to Brutus. "The fault dear Brutus, is not in our stars, but in ourselves." We as individuals employed in the securities industry should be masters of our own fate. We honestly believe that there is too much regulation in our industry and too many conflicting regulations. We need to advocate for ourselves as Associated Persons and for our industry to insist that the rules we are required to abide by are in our best interest as well as those of our clients. They are not mutually exclusive. We believe in public advocacy. We believe that along with the modernization process is the importance of advocating for our industry and to insist that ridiculous rules which are burdensome and duplicitous be eliminated and that conformity reigns. Ninety percent of FINRA members are small firms. They cannot function in the same manner as a major broker-dealer where there are teams of individuals and departments that handle regulatory requirements, regulatory inquiries and regulatory examinations. As industry professionals we must collectively insist that modernization efforts on the part of the Regulators include an overhaul of rules along with a simplification of rules so that compliance is goal that is easily attainable. What the Regulators need to remember and as Steve Jobs indicated, most people are good and smart and can do wonderful things if given the right tools. Give us the right tools and the right rules and we can all be productive and compliant!

Our firm, Integrated Solutions, is a leading service provider within the financial industry, with a client base of approximately one hundred small to medium sized broker-dealers that are involved in a myriad of business lines. We are privileged to be able to offer guidance to our clients in a practical manner, which helps them navigate the multitude of rules to which they are subjected. For those of us who have survived decades upon decades of supposed improvement to the securities industry and supposed increased investor protection, it appears for the most part that the regulators have complicated matters, increasing frustration among industry professionals and in doing so, having set forth rules and regulations that even the brightest of professionals and investors cannot grasp, nor wish to.

This letter represents our own personal views and does not necessarily represent the views of any of our clients.

Lastly, we observe that FINRA is an association; in fact, it is the only national securities association that exists. About twenty years ago it renamed itself as an Authority instead of being an Association, which should not change the fact that it can and should advocate on behalf of its members. It must consider that it has universal obligations to the general public with which its members deal on a regular basis.

Over twenty years ago, the National Securities Markets Improvement Act (NSMIA) was enacted. It established various important rules that benefited broker-dealers, investment advisers, investment companies and the general public. Among other provisions it effectively forbade the States from having certain regulations that were more stringent than the SEC rules that already governed the broker-dealer industry, e.g., net capital requirements. For example, NSMIA amended the Securities Exchange Act of 1934 to preempt State law with respect to capital, margin, recordkeeping, bonding, and reporting requirements. As a practical matter, there is no reason why FINRA members should need to be familiar with all of the current rules of the various State jurisdictions. At best, their attempt proves not to be any more useful than FINRA and SEC rules.

We are reminded that most broker-dealer members of FINRA do not have any physical nexus to all of the States although for legislative historical reasons many of those members are required to register in States where their customers exist. It is as if FINRA and SEC rules are ineffective to protect customers; that is clearly not the case.

In order to modernize our industry for the public benefit, we strongly believe that FINRA should advocate to Congress the adoption of a sequel to NSMIA that would create a more efficient, less costly environment than the current one. Indeed, everyone, including the general public, would benefit from such a sequel.

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Very truly yours,

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