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Office of the Corporate Secretary
FINRA

Via email: pubcom@finra.org

We appreciate the opportunity to comment regarding Rule Modernization as discussed in Regulatory Notice 25-04.

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. The authors of this letter have spent many decades affiliating with the broker-dealers that constitute the membership of various exchanges or the only registered national securities association that currently is FINRA.

As one gets older and experiences more of life and career, one realizes in most cases that is simpler and better to abide with the principles of KISS (keep it simple, stupid)! It is said that pendulum swings back and what we are waiting for is that swing. Too much regulation…yes! Too many nuances, gray areas, not justifiable or understandable regulation…yes!

The treatment by FINRA of non-public personal information

Let's start with the most basic of learned kindergarten behavior. Do onto others as you would wish others to do onto you. Our first observation about modernity is that the regulators regulating our industry are not subject to the same standards as we are. If we are to create an equal playing field between Regulators and Regulated then let the Association of our Members (FINRA) make some initial modernization changes. To begin with, we would like to request that the same protections that we are expected to afford our clients and investors, i.e., protection of their privacy and confidentiality, be afforded to Associated Persons of a broker-dealer. We would like FINRA to attest that all of the personal information that we have provided to FINRA on the forms filed with the Central Registration Depository that is administered by FINRA, including our height, weight, race, color of our eyes, hair, social security number, and residential history is fully protected. A regulator having all that sensitive information at its fingertips is a hotbed of temptation for identity theft and should provide the Associated Persons that it teaches to be protective of its clients, that it is pro-actively protective of their privacy. While SEC Regulation S-P covers member

firms of FINRA, we wonder how the Central Registration Depository or any other agency that has possible access to these data, e.g. state regulators, FINRA, the SEC, or their employees, protects the privacy of the individuals whose personal information is available to them.

Regulator personnel competency

Next, let's speak about equal footing in industry standards. Many of FINRA's staff are professionals who have worked in the industry or for the SEC or another regulator. They have the experience to oversee regulated individuals. On the other hand, we have seen through our examination experiences that many do not have the experience or competence to pass judgment on a regulated firm's efforts or practices related to its compliance with even basic rules or regulations. We believe that a good modernization approach would be to expect that FINRA examiners be subject to the same qualification examinations as the people they regulate. It is unheard of for any other professional organization to have senior regulators who have not passed the minimum examinations that are required of the persons they regulate. For example, individuals constituting medical boards for physician oversight typically have met the minimum standards of that profession. Modernization means equalization. We are happy for trained professionals who give us advice and guidance based upon their complete understanding of the financial securities industry and qualified by the same standards. It is our understanding that FINRA has not allowed persons who are not associated or proposed to be affiliated with a member firm to take and pass the standardized examinations administered by FINRA. Obviously, were that prohibition to be lifted, the persons who pass the examinations should be allowed to retain their passed examination status if instead of being registered with a FINRA member, they are employed in a capacity with FINRA or a similarly situated regulator where they utilize on a regular basis the competencies that are proven by passing such examinations.

This point brings us to another issue of import, "Know Your Member." Just as a Broker-Dealer is subject to FINRA Rule 2090 "Know Your Customer", it is only appropriate that FINRA "Knows its Members." It is understandable that a FINRA Member's first examination after approval is a "getting to know you" moment, as it usually occurs after six months of membership. The issue is that FINRA should have an individualized template utilized for each firm that it examines, as long as the member has not changed its business lines. This would indicate FINRA's understanding of the inner workings of the client, which would avoid asking questions that are inappropriate to the business of the Firm. This would therefore save the efforts of not only the examiner, but as importantly, save the efforts of the Compliance Officer at a small firm, whose day is already complicated by trying to keep up with the multiple, extensive daily obligations for which they are responsible. Streamlining and personalizing the examination with appropriate questions that indicate that FINRA "Knows its Member" will ease the process and indicate that it has performed its "due diligence" on their members. This would modernize the examination and make the process smoother for the examiner and the Member Firm.

Use it or lose it

The five-year period contained in the MQP program is misguided. This brings us to another point. We certainly appreciate the efforts that FINRA made with the MQP and the allowance of a previously registered individual to maintain their licensing for 5 years as long as he or she participates in Continuing Education. That was a definite step in the right direction. Yet, it wasn't a long enough road. Our doctors that are responsible to promote our health maintain their licensing for their lifetimes as long as they participate in continuing education every year. The same goes for accountants, lawyers, and other professionals. It is a way to keep well-trained, well-educated individuals in our field and their experience contributes to the well-being of the industry, no matter the period of time[i].

Mary Schapiro was right

It's always helpful to look backwards to move forwards. Those of us that are old enough to remember the days of dueling rulebooks are grateful that the NYSE and NASD recognized that two sets of rulebooks (especially in the three-ring binder and dividers days of yore!) were absolutely ludicrous and created conflicts for members of both regulatory organizations. Hence, the ultimate outcome was the creation of the consolidated rulebook and partial restoration of sanity for our industry. With this in mind, let's speak of a major flaw in the modernization and streamline process…universality of laws, rules, documents required and the approval process. We all know that the "good cop, bad cop" style of parenting isn't recommended and doesn't work. It is also a truism for an already overly burdened industry which can do so much better. Blue Skies are beautiful, especially without a cloud in the sky. So should compliance with the State registration process and the simplification of State securities laws to require uniformity of requirements for registration in each State and eligibility for exemptions from registration. Without this uniformity, it is almost a sure road to failure. Additional or supplemental information for certain states makes no sense, especially given the SEC and FINRA oversight of Broker-Dealers. It is unnecessary and duplicative and a waste of a Broker-Dealer's resources. Set a standard which is acceptable to the oversight and regulation of all of the Regulators and we will be happy to abide by it. Another clear example of the dichotomy of regulation was the recent enactment by FINRA of the Residential Supervisory Location status. Here again, we have a standard set forth by FINRA as to what the criteria are for an "RSL," but at the same time, certain states have not accepted the RSL criteria and require possible registration as a Branch Office given their individual definitions. Isn't that a waste of energy and common sense and confusing as well?

Too many rules or regulations leads to less compliance

Next, let's speak about modernization of the FINRA rules. If FINRA and Regulators really desire compliance with rules and regulations, then they have to make them easier to read, digest and effectuate. When given the current presentation of rules, our eyes just gloss over after a few minutes and we effectively lose consciousness. Again, we bring in the concept of KISS. Create a "FINRA for Dummies" version of the rules and we will understand and abide by them. We remember the old days when rules were simplified and reflected the fact that we are professionals who are educated in their field through apprenticeship and licensing, and for the most part, are law abiding and conscientious. The more rules that are presented to licensed individuals, the more room for error. In addition, our clients, our investors, do not read our rulebooks (almost guaranteed), so the simpler it is for us, the simpler it is for them. In addition, we are

well aware that most Associated Persons seldom read Written Supervisory Procedures especially if they are crafted by well-meaning compliance officials who are convinced that they can cover themselves by producing very extensive manuals that contain as many as 500 pages of writing or even more. Standardization of most rules and procedures should be applied across the various venues. Why not have universal laws as much as they can be applied, given the type of investor and the type of investment? Why cannot we have rules that are based on common sense and ease for the Broker-Dealer.

A perfect example of how rules can be simplified can be applied to the Remote Pilot Inspection Program. The question is why is the program even a "pilot program"? As evidenced through several years of conducting business remotely during the Covid-19 pandemic, Broker-Dealers successfully demonstrated that they were capable of abiding by the rules and regulations of the industry without having a physical presence in an office. It is our opinion that there is no evidence that a physical inspection is any more effective than a remote one. In fact, FINRA itself performs remote inspections and has also been successful in doing so. Technologically speaking, both Regulators and Broker-Dealers have the capacity to surveil remotely. Has FINRA conducted any in-depth studies to analyze whether there are any additional benefits to an in-person inspection rather than a remote one? If Regulators are seeking to modernize, then this is one area that should be a given, not a "perhaps". The fact is that more and more Broker-Dealers do not have a physical presence and that Associated and Registered Persons work from their residences. To accentuate our point, we were recently advised of the insistence of an SEC examiner who by the rule is required to perform a physical inspection in a Broker-Dealer's first year, went to the official office space of the firm where no one physically works from. A Registered Person who works from their residence, was required to go there to meet the examiner. There was nothing to examine there that couldn't have been examined remotely. Again, common sense would indicate that to see the physical office space of a firm, in which no one actually works proves nothing other than a physical address. The two authors of this letter collectively have almost 100 years of experience and work from our individual residences. Would our expertise or compliance with the rules be any different if we worked from a physical office?

Modernization and standardization of laws will lead to simplification and increased Broker-Dealer compliance.

Does *caveat emptor* still exist?

Recently, upon researching securities laws that currently exist in South Korea, we noted that since June 1, 2011, potential investors in Equity Linked Warrants have been required to take a one-hour training course available online and obtain a certificate of completion before being allowed to buy this product and are required to submit the certificate of completion, therefore, reducing the responsibility of the Registered Representative and the Broker-Dealer and at the same time. Increasing the responsibility of a client or investor through educating themselves and understanding the risks and rewards of the investment would give them more power and responsibility for their own actions. For those of us old enough to remember Sy Syms' motto, "An educated consumer is our best customer," we should adhere to his principles. Modernization through required and evidenced investor education. Our point here is that we are stunned that investors are effectively sometimes sold securities products that are theoretically accompanied by a put, that provides them with a potential claim against the broker-dealer that sold them a securities product. The rules that cover suitability have often been misused by customers who claim that the broker-dealer woulda, shoulda, etc. prevented them from investing in a particular security. In many instances, it

is the customer who has the sophistication to understand the risks embodied in a particular security. FINRA should consider modifying suitability rules such that clients, especially knowledgeable ones, bear more responsibility for their own actions.

FINRA members are not homogenous

FINRA should recognize that regulation and modernization should not come through a "one size fits all" philosophy. A twin-size sheet will not fit a Queen size bed. Diversity among FINRA members exists in the Broker-Dealer world. An Introducing Broker-Dealer is not a Clearing Firm and certainly not an Automated Transaction System or a Private Placement or Investment Banking Firm. Each has its own set of requirements and parameters needed for compliance. It is ridiculous to have all of the same rules apply to each type of Broker-Dealer. The risks are so varied for both the Broker-Dealer with regard to the client or investor, which is dependent upon the type of investor, whether individual or Institutional or QIB or QIP. To expect that a small Broker-Dealer that is engaging in business with retail individuals should be required to abide by the same rules as an Investment Banking Firm engaging in business with well-known ultra wealthy institutions is unreasonable. Take for example the 3120- testing process and the related 3130 Certifications. Wouldn't FINRA already know, for example, if the Broker-Dealer has been compliant with most of the rules and regulations, especially in a year in which they were subject to a FINRA or SEC exam? What is the point in rehashing what the compliance officials know from their day-to-day surveillance? What real difference does it make if a 3120 report is presented to Senior Management on the 46th day after its last Board Meeting rather than the 45th day? Would the market fall apart? Rulemaking should take into account the type of business that a firm engages in and the type of clients they service and decide which ones really make a difference when it comes to investor protection. Modernization of applicable rules based upon the lines of business of a Broker-Dealer (the "less is more approach") would promote increased adherence to the rules.

Speaking of voluminous regulation

As an example of a regulatory initiative promulgated by the Securities and Exchange Commission, we call your attention to SEC Release 34-86031 (https://www.sec.gov/files/rules/final/2019/34-86031.pdf) , which represents a great cure for insomnia. We don't disagree with the concepts embodied in that release but offer it as a good example of what FINRA and other regulators should hesitate to do. The PDF version of the release, which is entitled "Regulation Best Interest: The Broker-Dealer Standard of Conduct" is only a mere 770 pages long. That means that if one were to read one page per day, it would take over two years to read and digest its contents. Our point is that we hope that FINRA should adopt a specific goal of not being inspired by SEC initiatives that make lives so complicated.

This brings to mind the enactment of Regulation BI and Form CRS. The concept was based on sound principles. Investors should know what alternatives are available and that investments are suitable for them and that the Broker-Dealer has their best interest at heart. For most registered individuals this is a given and it may have been an easier approach to require that Registered Persons take an Ethics Course (as is required by the NFA), rather than have to apply this burdensome requirement to a Firm for each breathing human being. Michael Bloomberg, Warren Buffett, and all other sophisticated investors who are known to be breathing air, would need to be given a Form CRS prior to or at the time that a "call to action" is provided. Can you please tell us about the logic in that? Why don't the Regulators require that

a client or investor fill out a form which would attest to their understanding of what they are investing in (similar to the recommendation made above), so that the Registered Representative who actively engages in solicitation is not so discouraged from doing so by the onerous regimen of documentation, so much so, that their business suffers. Modernization includes practicality and ease in accomplishing the goal.

We all acknowledge that Covid-19 changed the world, just as September 11, 2001, did, and that what was once simple and taken for granted was changed forever. Out of our experience in surviving these life-altering changes came the change in the workplace and the recognition that nothing will be the same as it was before. Physical offices have largely been abandoned and many Associated Persons work remotely at least part of the time. This set up has for the most part been extremely successful. The definitions of the workplace changed and FINRA has recognized this and formalized this change through the revision of FINRA Rule 3110 and its provisions for Remote Office Inspections. We applaud this step in the modernization process and we understand that it needs additional steps to ensure that individuals working and supervising from their homes must comply with the same regulations as if they were working in a physical office.

This leads into the next very relevant and incredibly important topics of Cybersecurity and REG S-P. With the changes from physical offices to remote workplaces, it is understandable that considerable time and effort must continuously be given to ensure that the remote locations work efficiently and in compliance with the law regarding Cybersecurity related issues. We support the modernization efforts that have been made which address the ever changing and challenging Cybersecurity risks. These risks are in need of constantly being analyzed and appropriately addressed. We support the Regulators' efforts in addressing the new work order and the changing and modernizing of technology to capture threats to protect both Member Firms and investors. We recognize that technological solutions trump antiquated ones and as we are in the first quarter of the 21st century, we must forge ahead with the changes. Those of us that are old enough to remember cold rooms filled with computers and the "tube system" for conveying trades to the trading desk are fully cognizant that the securities industry must accept and embrace the changes.

The technological responsibilities need to be shared. We are appreciative of the amendments to Regulation S-P that are in the process of being effected which would allow third-party vendors to participate in notification of investors when a potential breach of confidentiality has occurred. This allowance of permitted shared responsibility, with oversight by the Broker-Dealer is a healthy approach to this topic and perhaps can be utilized more often in other aspects in the compliance-related world.

Modernized technology also encompasses the creation and proliferation of Artificial Intelligence (AI) , which is a new challenge for the Regulators, Member Firms and for investors. We can unequivocally state that this comment letter was not written by AI. That being said, much of what is available through the internet and Social Media that is created through AI can be misleading and deceptive and without recourse can potentially create havoc in the marketplace. We believe that the Regulators can be a tremendous help in advising the general public about not "believing everything that you see", which t is available online. Regulators along with Broker-Dealers can help avert disastrous investor outcomes through their joint effort and cooperation in educating the public about the risks of Artificial Intelligence. Again, modernization includes education

FINRA's role in the regulatory environment

In this letter, we gave recognition to the fact that FINRA is but one cog in the global regulatory scheme. If one were to look at Form BD, it becomes clear that aside from FINRA, there are multiple registered exchanges and 53 geographically diverse states and territories. In addition, the Municipal Securities Rulemaking Board regulates the municipal securities industry, and the SEC is also a regulator. What we really need is a D.O.R.E., a department of regulatory efficiency, reducing the requirements to the simplest common denominator

We can only hope that FINRA takes our cues to make our industry more efficient by promoting a reduction in multiple regulations applicable to FINRA members. What we explained above regarding RSLs is a great example of why states and territories should not have separate regulations from SEC and FINRA rules that are designed to regulate the very same activities. Similarly, we are led to believe that even though the SEC has declared that certain firms that limit their activities to certain M & A efforts are exempt from SEC registration requirements, there are states that continue to require registration. These kinds of conflicts are unfair and confusing. We note that the SEC has an Office of the Advocate for Small Business Capital Formation. SEC also should be promoting regulatory simplification and modernization to meet its goals in this regard.

We are reminded of the National Securities Markets Improvement Act of 1996, which did wonders for certain financial services firms by eliminating needless duplication. Its preamble is quite instructive. It says:

> "To amend the Federal securities laws in order to promote efficiency and capital formation in the financial markets, and to amend the Investment Company Act of 1940 to promote more efficient management of mutual funds, protect investors, and provide more effective and less burdensome regulation".

What we need now is for FINRA to demonstrate that it has the interests of the markets, the and its membership and the general public at heart by advocating for a sequel to NSMIA of 1996. Let's get rid of needless rules promulgated by states, territories, SEC and others.

We are inspired by an individual who is quite familiar to many of the old-timers at FINRA, who believed that rules needed to be clear and appropriate.

On November 4, 2004, Robert R. Glauber, the Chairman and CEO of NASD, in a speech given in Boca Raton, stated the following:

> "Another way we can try to make self-compliance easier is to be mindful of the burdens that our increased regulation and enforcement activities inflict on the industry. While we must meet our mandate as an effective regulator, we should seek to do our regulatory job without needless intrusion or burden. We should seek to set clear and appropriate rules and then enforce them rigorously and consistently.
>
> And we should, as we have over the last several years, regularly review our existing rules with the intent of simplifying them and, where appropriate, eliminating those that are out-of-date.

We are particularly concerned that some of the most senior regulators have proudly put us all on notice that lately they have been promulgating more rules than they have promulgated in the recent past. And worse than the rules themselves, is how they are enforced, at times."

We genuinely appreciate FINRA's request for comments to help serve its members and the investing public better. We are moving to a more complicated, technological "2001 Space Odyssey" environment. Rule amendments which address reality, such as the amendments to the "Electronic Records" 17a-4 rule, demonstrated that Regulators are aware that records are maintained electronically, that CD-Roms are a thing of the past and "the Cloud" is a tool of the present. We need more changes like these. There are many unnecessary burdens imposed on Broker-Dealers through complicated rules, which scaled down to a KISS level, would lead to more compliance on the part of FINRA members. More is not better and greater imposition of rules only leads to the anxiety and frustration of Compliance Officers or other Associated Persons. Their inability to keep up with the rules and eventually can lead to the dissolution of small Broker-Dealer Firms when complying with the rules becomes too onerous. Our mantra is "Modernization through Simplification, Standardization and Education."

Thank you for giving us the opportunity to comment on your proposed changes.

Please feel free to contact us at hspindel@integrated.solutions or at 561-420-0842 or pchait@integrated.solutions or at 212-897-1698.

Very truly yours,

Peggy E. Chait

Howard Spindel

[i] We are reminded that many of the employees and officers of FINRA are members of learned professions and are able to practice in those professions should they wish to do so.