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Via Electronic Submission

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA Inc  
1735 K Street, NW  
Washington, DC 20006-1506

**Re: Regulatory Notice 25-07 – Modernizing FINRA Rules, Guidance and Processes for the Organization and Operation of Member Workplaces.**

**Introduction**

Ken Norensberg, CEO of Luxor Financial Group, Inc and former Member of the FINRA Board of Governors, is grateful for the opportunity to comment on **Regulatory Notice 25-07**. As a nationally recognized regulatory and broker dealer compliance consulting firm, Luxor Financial Group regularly consults with broker dealers and their registered representatives and has heard their concerns. As such, we can voice their concerns by presenting this comment letter as follows:

**Branch Offices and Hybrid Workplaces**

In today's digital and mobile environment, an office is effectively wherever a registered representative has access to their phone or laptop. While traditional office spaces continue to serve a purpose, many independent broker-dealers and their representatives operate flexibly and remotely.

The regulatory framework must evolve to reflect this reality. Physical filing cabinets and offices dedicated to recordkeeping are largely obsolete. Most firms now store records in the cloud or use secure email service providers. As such, the requirement to register office locations and conduct mandatory on-site audits appears outdated.

We recommend that FINRA allow member firms to conduct remote inspections via video conferencing and electronic records review. This approach aligns with modern work practices, does not compromise investor protection, and allows firms to maintain oversight of their registered representatives effectively.

### **Record Keeping and Digital Communications**

The issue of digital communications and recordkeeping continues to be a major area of concern. FINRA rules should be updated to reflect modern communication habits and provide clearer guidance regarding the use of personal devices by registered representatives.

Although this Notice acknowledges the ambiguity around the definition of “business communications,” in practice, regulators often treat any unrecorded communication with a customer as a serious violation, subject to fines or suspensions. A clearer and more practical definition is needed.

Communications such as “Are we meeting for dinner this week?” or “How was your trip?” which are more relational than transactional, should not necessarily require archiving and supervisory review. The current volume of stored communications is excessive, and the potential for misinterpretation by regulators is high.

We urge FINRA to adopt a risk-based approach that distinguishes between routine personal exchanges and material business communications, enabling more flexible and realistic communication practices.

### **Compensation Arrangements:**

The use of Personal Service Entities (PSEs) by independent registered representatives has been common practice for decades. Given the large number of independent representatives operating as independent contractors, it is both logical and practical that they be permitted to receive their compensation through entities wholly owned and controlled by them.

As long as the member firm clearly documents the relationship between the registered representative and their PSE, the two should be treated as functionally equivalent from a licensing and compensation standpoint. Member firms should be allowed to compensate registered representatives through their associated PSEs without unnecessary regulatory obstacles.

### **General Comments**

All FINRA Rules need to have a risk-based approach. Over the years Members have heard from FINRA that they are taking a Risk Based Approach to the rules and the enforcement of these Rules. When speaking with Members, the response is always that FINRA is taking a heavy hand through “regulation by enforcement” and that new and existing Rules start out seeking to solve an issue and then transform into other items which become overburdensome to Firms. Firms then feel like they are trying to adjust to Rules which continue to evolve into nonsensical bureaucracy

Sincerely,

Ken Norensberg

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