

June 28, 2021

Submitted electronically

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

Re: FINRA Regulatory Notice 21-17, FINRA Seeks Comment on Supporting Diversity and Inclusion in the Broker-Dealer Industry

Dear Ms. Mitchell:

LPL Financial LLC (“LPL” or “the Firm”) appreciates the opportunity to provide comments to the Financial Industry Regulatory Authority (“FINRA”) in response to Regulatory Notice 21-17¹. LPL commends FINRA for seeking feedback from member firms on this important initiative. Increasing diversity, equity and inclusion for financial professionals and Firm employees is a top priority for LPL.

I. Overview of LPL

LPL is a leading retail investment advisory firm, independent broker-dealer and registered investment advisor custodian. We serve more than 18,000 independent financial professionals and over 800 financial institutions by providing them with the technology, research, clearing and compliance services, and practice management programs they need to create and grow thriving practices. LPL enables them to provide objective guidance to millions of American families seeking wealth management, retirement planning, financial planning and asset management solutions.

We believe that financial guidance is a fundamental need for everyone. Embracing and leveraging diversity among employees and financial professionals helps us fulfill that need. We enable our financial professionals to focus on what they do best, which is to create the personal, long-term relationships that are the foundation for turning life’s aspirations into financial realities. LPL and its affiliates have more than 4,800 full-time employees working to ensure that our associated financial professionals have the resources they need.

II. LPL Support of Diversity, Equity and Inclusion

Diversity and inclusion are more than business imperatives or human resources initiatives for LPL. They’re essential in harnessing the power of different ideas, backgrounds, and perspectives to drive growth, foster innovation, and create value throughout our organization and industry.

Increasing workplace diversity and inclusiveness

¹ FINRA Regulatory Notice 21-17, *FINRA Seeks Comment on Supporting Diversity and Inclusion in the Broker-Dealer Industry* (April 29, 2021), <https://www.finra.org/rules-guidance/notices/21-17>.

At LPL, we are deeply committed to incorporating diversity at every level of our workforce and promoting equity and inclusion in our culture. In the past year, we have continued to build on our previous work of increasing the balance of diversity across our organization and at the middle and senior management level. In order to create lasting change, we focused on providing development opportunities for high-potential emerging leaders so they can grow within the Firm. Last year, this meant an emphasis on selecting more women and people of color to join the emerging leaders program to nurture the skills needed to advance their careers at LPL.

Shared interests and experiences

Among the ways LPL fosters diversity and a culture of inclusivity is through our Employee Resource Groups (ERGs). ERGs bring together employees who share common interests and experiences. More than 30% of our total workforce is involved with at least one of our nine ERGs. The groups, which include the African American ERG, Asian ERG, Hispanic/Latinx ERG, People with disABILITIES ERG, Pride Alliance ERG, Women's ERG, Veterans ERG, Working Parents ERG, and the Young Professionals ERG, are able to support our workforce by increasing the discourse around diversity, equity and inclusion.

To support professional development, as well as employee and community engagement, LPL's ERGs sponsor a variety of events. They include seminars, networking opportunities, panel discussions, guest speakers, and charitable events to bring employees together. ERG membership is open to all employees, regardless of location, business unit or seniority level.

Expanding the diversity and reach of financial professionals

While they are not our employees, we are also committed to supporting a diverse advisor community. Similar to our ERGs, LPL also has Advisor Business Communities that are accessible to affiliated advisors. Members meet virtually and connect to exchange best practices, networking opportunities, business growth tactics and more. Currently, there are Advisor Business Communities for women, Asian American and Pacific Islander, Black, Hispanic and Latino, and LGBTQ advisors. These communities, as well as our overall strategy in support of underrepresented advisor populations, are guided by our dedicated Advisor Diversity and Inclusion team, in partnership with the LPL Advisor Inclusion Council.

We have been successful in executing our strategy to improve the number of women advisors at LPL, resulting in the largest community of female financial professionals by headcount among independent broker-dealers. This is a result of enhancing our business development tools to amplify our value proposition to women advisor prospects, training and supporting new-to-role women advisors to improve rookie success rates, supporting family practice developments where women advisors can take over for retiring family members, and providing meaningful support through community-building events. We are encouraged by this success and will continue to build on our insights and efforts to increase the number of women advisors and advisors of color at LPL.

III. Comments in Response to RN 21-17

LPL appreciates the opportunity to provide feedback to FINRA on ways to support diversity and inclusion in the broker-dealer industry. We commend FINRA's efforts to increase DEI and the steps that FINRA has taken to foster greater diversity while being cognizant of the organization's statutory mandate. In particular, we believe that the introduction of the Securities Industry Essentials (SIE) Exam was a critical step towards lowering barriers of entry in the industry. Other initiatives, including the education and networking opportunities, help foster connections between member firms to share best practices around DEI. We appreciate these opportunities for collaboration. In response to RN 21-17, LPL has identified three areas for FINRA to consider changes.

Continuing Education

We strongly support a number of the proposed updates to FINRA Rules 1210 (Registration Requirements) and 1240 (Continuing Education “CE” Requirements) and urge the SEC to approve the adoption of these changes. Last year, LPL submitted a response to FINRA Regulatory Notice 20-05² because we feel that the proposed program updates will have a meaningful impact on increasing DEI in the financial services industry.

LPL is particularly supportive of the proposal to allow individuals who terminate their registrations to have the option of maintaining qualification by completing CE. Often, individuals may be forced to leave the industry because of family, child or elder care obligations, or economic circumstances. These individuals are often not able to afford supplemental help and often must choose between their career and their family. This disproportionately affects women and the COVID-19 pandemic exacerbated this issue when mothers were responsible for caregiving, housework, child rearing and their full-time employment³.

When an individual is able to reenter the workforce following an absence, the current requirement of retaking the appropriate examination is a significant barrier to reentry in the financial services sector. Therefore, the proposed rule change to allow individuals to elect to maintain qualification through CE for up to five years after leaving the industry allows them a path to continue to build their career in the finance industry. This will lead to a diverse sector that is inclusive and represents the investor community that we serve. In order to increase the harmonization between the North American Securities Administrators Association (NASAA) and FINRA, we urge the states planning to adopt NASAA’s IAR CE Program to also adopt language that allows for an individual to maintain their state qualification through CE.

Qualification Exams

The introduction of the SIE was a major step towards creating a more inclusive industry. By allowing an individual to take the SIE without being sponsored by a firm, FINRA enables them to take the exam on their own timeline. This is particularly beneficial for those who are looking to make a career change and enter the finance industry and still need to work full-time, and thus have limited time to study, or others who are caretakers for their family and similarly face time constraints for studying. They can take the exam when they have fully understood the material, without the pressure of needing to pass the exam to fulfill job requirements. For students or recent college graduates, it allows them to get an early understanding of financial services and begin to learn material that will set them up for success in the future.

LPL recommends that FINRA continue the outreach programs to increase awareness of the SIE. It is important to maintain outreach to historically black colleges and universities, community and state colleges, and educational institutions that serve underrepresented communities. This will broaden the slate of candidates taking the SIE and grow an interest in the industry. Although the cost of the SIE is not extreme, when combined with study materials it can be an additional barrier for individuals. We suggest that FINRA consider a grant fund to allow diverse candidates to take the exam with a subsidized fee or a program to offer reduced cost study materials, particularly if the individual is a student or needs to be conscious of expenses.

² See LPL response to *FINRA Requests Comment on a Proposal to Implement the Recommendations of the CE Council Regarding Enhancements to the Continuing Education program for Securities Industry Professionals*, available at: https://www.finra.org/sites/default/files/2020-06/20-05_LPL_comment.pdf

³ See *McKinsey & Company’s Women in the Workplace 2020*, available at: <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/women-in-the-workplace>

We further recommend that FINRA explore the possibility of allowing individuals to take the Series 6 or Series 7 exams without being sponsored by a firm. This will build on the success of the SIE and reward those who have a strong interest in a career change but who aren't in a position to be sponsored for an exam. If an individual takes the initiative to take, and pass, the Series 6 or 7 they are then qualified for positions that were previously out of reach. Specifically, if it can allow for a seamless transition into the financial services industry from another career path and make the candidate more marketable to firms. It also alleviates the pressure that some individuals who struggle with test taking can feel when they are in a position where they must pass an exam to continue in a role or face the possibility of demotion or reassignment.

Additionally, LPL suggests that FINRA may consider developing an entry-level attraction program to encourage educational and support opportunities for people of color. This would lead to a greater sense of belonging in the workplace, which is critical for individuals who are new to the workforce. Historically, attrition rates in the industry are higher for people of color and they are more likely to leave the industry. An attraction program could help with building stronger relationships with colleagues, a sense of belonging and increase the likelihood of success at a company.

Registration Process

LPL believes that there are small, but significant changes that can be made to both Form U4 and to BrokerCheck to further foster diversity, equity and inclusion in the industry. Recently, LPL added "non-binary" as a gender option on a number of our corporate forms. The Form U4, which was last updated in 2009, asks for the advisor to select "female" or "male" as their gender. To make the form more inclusive of all genders, we recommend expanding the options to include persons who identify as a gender other than male or female.

LPL recognizes that BrokerCheck is a valuable resource for investors as they make the important decision to work with a registered representative. However, we believe that FINRA should review the information available and make it consistent with the information available on other publically accessible websites such as the SEC Investment Advisor Disclosure website.

Aggregating Firm Data

Many member firms are working diligently towards increasing diversity, equity and inclusion in the industry, but there is little benchmarking. We suggest that FINRA collect voluntary submissions of data from member firms and distribute anonymized data about demographics. This will allow the industry to have a holistic view of overall efforts, and allow us to see if the industry is collectively moving in the right direction. Additionally, it will provide firms with a standard benchmark to measure internal progress and facilitate the sharing of best practices so that we can work together.

IV. Support for SIFMA's Comments

LPL is a member of the Securities Industry and Financial Markets Association (SIFMA). We wish to state our support for their comment letter submitted in response to RN 21-17.

V. Conclusion

LPL believes that the financial services industry needs to represent the consumer base that we serve. We believe that everyone deserves access to financial advice to be able to save for the future, and that financial guidance shouldn't be limited to those who have traditionally had access to it.

We appreciate this opportunity to share feedback, and look forward to working with FINRA and other stakeholders on these issues. If you would like to discuss this letter further or have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, reading "Michelle Oroschakoff". The signature is written in a cursive style with a large, prominent "M" and "O".

Michelle Bryan Oroschakoff
Chief Legal Officer