

June 11, 2025

Submitted electronically

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street NW
Washington, DC 20006

RE: Regulatory Notice 25-04, FINRA Launches Broad Review to Modernize Rules Regarding Member Firms and Associated Persons

Dear Ms. Mitchell:

LPL Financial Holdings, Inc. (“LPL” or “the Firm”) appreciates the opportunity to provide comments on Regulatory Notice 25-04, FINRA Launches Broad Review to Modernize Rules Regarding Member Firms and Associated Persons (the “request for comment”). As the financial services industry evolves, we believe that it is critical for the regulatory rulebook to likewise advance to reflect the way firms operate today.

FINRA’s broad request for comment represents an important opportunity for the regulated community to collaborate with regulators to modernize the current rulebook. Many FINRA rules were first implemented by the National Association of Securities Dealers (“NASD”) and have not been meaningfully revisited since the incorporation of the New York Stock Exchange (“NYSE”) regulatory division rules in 2007. We are grateful that FINRA is providing member firms with the opportunity to help prioritize rule changes that ensure that the rulebook reflects the current state of industry operations.

LPL is recommending that FINRA clarify confusing or outdated rules, amend rules to create efficiencies, take steps to encourage industry growth and the development of the next generation of financial professionals and lead industry-wide initiatives that help alleviate operational challenges. These recommendations are discussed below and will be further discussed in response to Regulatory Notice 25-07¹ (“RN 25-07”).

I. Overview of LPL

LPL Financial Holdings, Inc. is a retail investment advisory firm and independent broker-dealer operating in all 50 states and the parent company of two dually registered FINRA member firms. We are steadfast in our belief that Americans deserve access to personalized guidance from a financial professional. LPL serves as a trusted partner to more than 29,500 financial professionals and the wealth management practices at approximately 1,200 financial institutions, servicing and custodialing approximately \$1.8 trillion in brokerage and advisory assets on behalf of approximately 8 million Americans.

¹ Regulatory Notice 25-07 (April 14, 2025) available at: <https://www.finra.org/rules-guidance/notices/25-07>

We provide our financial professionals with the technology, research, clearing and compliance services and practice management programs they need to serve their clients and create thriving businesses. Our financial professionals offer investment and financial education, financial planning, access to investment products and brokerage services, and personalized investment advice to investors seeking wealth management, retirement planning, financial planning and asset management solutions.

II. Recommendations for Rule Modernization

FINRA's recognition that the rulebook should be updated builds on recent coordination with the industry to adopt new rules through a collaborative process that ensures that the rules can be operationalized, provide important investor protection and are not unduly burdensome.

LPL's comments represent suggestions both from our home office and from our registered representatives. As financial professionals who work within the constructions of the FINRA rulebook when interacting with clients every day, they are uniquely positioned to provide feedback on the practicalities of rules and to identify instances where FINRA rules are unclear or unduly challenging to comply with.

FINRA Should Prioritize Modernizing Confusing and Outdated Rules

We believe that FINRA has the opportunity to make small yet significant changes to the rulebook that would have a meaningful impact on day-to-day operations for broker-dealers and financial professionals. In some instances, these rules have not been updated in years, or the industry is relying on decades-old guidance. There is an opportunity to alleviate unnecessary friction and evolve rules to reflect our current operating environment.

We urge FINRA to swiftly propose changes to the following rules:

- Provide explicitly that broker-dealers may pay commissions to unregistered entities that registered representatives of independent-broker dealers often form to establish their own businesses². Notably, payment of advisory fees to such entities is permissible under SEC rules so this will streamline the payment of fees to independent financial professionals.
- Remove the obligation for broker-dealers to supervise unaffiliated investment advisers, as stated in *Notice to Members 94-44* and *Notice to Members 96-33* and further discussed in comments from LPL Financial in response to Regulatory Notice 25-05³. We also suggest that FINRA review the related requirement for representatives to have specific FINRA licenses when trading products in their capacity as an investment adviser.
- Review the Options Rule requirement⁴ that any branch with more than three representatives transacting in options trading designate a Registered Options Principal or Limited Principal – General Securities Sales Supervisor.

² FINRA Rule 2040

³ See Letter from Althea Brown, Chief Legal Officer, LPL Financial to FINRA dated May 13, 2025, *available at*: https://www.finra.org/sites/default/files/NoticeComment/LPL%20Financial_Comments%20on%20RN%2025-05_May2025.pdf

⁴ FINRA Rule 2360(b)(20)(B)

There is a Significant Opportunity to Create Operational Efficiencies

In some instances, the FINRA rulebook reflects a time when broker-dealers were heavily reliant on paper, mailings and less sophisticated technology. Advances over the past decade, which were accelerated by the coronavirus pandemic and the need to work remotely, have resulted in a workplace that relies much more heavily on automated, computerized tools for day-to-day operations. This means that systems are more efficient, surveillance is more robust, and basic tasks can be executed more quickly.

Certain FINRA rules are at odds with the modern workplace and meaningful updates are needed to better harmonize with current practices. While we will be addressing these issues in more detail in our comments responding to RN 25-07, we ask FINRA to revisit the following rules for modernization:

- Update paper mailing requirements under Rule 2231 and Rule 2232 to allow firms to use the same envelope for mailing of documents within the same household and consider allowing for trade confirmations to be batched and sent at a set frequency, such as once per month. We also encourage FINRA to work with the SEC to update electronic delivery requirements, allowing firms to default customers to electronic delivery for account documents.
- Expand the FINRA Fingerprint Program categories by designating additional overseas electronic fingerprint vendors as acceptable and revisit the definition of “Associated Persons Exempt from Registration⁵” to include individuals who provide basic operational and processing functions.
- Provide clarifying guidance that during customer account conversion a broker-dealer has the ability to immediately convert the account into the most similar product within the firm’s eligible products (e.g. sweep product), rather than the most substantially similar product. This will reduce customer confusion and friction when the accounts are later converted to the most similar product.

We Can Work Together to Nurture Industry Growth and Develop the Next Generation of Talent

LPL believes that everyone deserves access to personalized financial guidance and advice from financial professionals. Recent research found that 80% of respondents want access to a human financial advisor⁶ while at the same time advisor headcount continues to stay stagnant while gradually increasing in age⁷. It is of vital importance that the industry works together with regulators to expand our reach and to develop a strong pipeline of talent to meet the increasing demand for advice and help prepare a next generation of advisors to meet investor needs. Recent programs, including FINRA’s Maintaining Qualifications Program (“MQP”) and NASAA’s Exam Validity Extension Program (“EVEP”) are helpful tools for encouraging individuals to reenter the industry after a hiatus by maintaining qualifications through continuing education.

⁵ FINRA Rule 1230

⁶ Cerulli Associates (2025), *US Retail Investor Solutions: Refining Wealth Management Engagement*

⁷ Ibid

There are additional steps that FINRA and member firms can take together to encourage the next generation of financial professionals to join the industry, some of which are discussed in LPL comments to FINRA in response to Regulatory Notice 21-17⁸. These actions include:

- Continuing outreach programs to increase awareness of the SIE and consideration of a grant fund to allow candidates to take the exam with a subsidized fee or a program to offer reduced cost study materials⁹.
- Allow individuals to take the Series 6 or Series 7 exams without firm sponsorship, building on the success of the SIE and helping create a pool of hire-ready candidates for positions that require licensing¹⁰.
- Review CE requirements imposed by FINRA, state securities regulators and national accrediting organizations to harmonize duplicative requirements and coordinate content that satisfies multiple requirements.

FINRA Can Drive Change by Leading Industry-Wide Initiatives

One of the most important roles that FINRA plays is that of an industry convener, offering a forum for member organizations to collaborate, innovate and develop solutions to problems faced by a variety of firms. We believe that there are new opportunities for FINRA to leverage existing systems, information already gathered by FINRA and the SEC, and wide reach to firms of all sizes in order to support industry initiatives and collectively solve challenges.

We recommend that FINRA lead dialogue between member firms, regulators, and industry stakeholders on the following initiatives:

- Create and maintain a public, centralized database of mutual fund fee changes, which would take the onus of tracking fee changes off broker-dealers and provide retail investors with enhanced transparency of various fees.
- Explore the possibility of working with the Depository Trust and Clearing Corporation (DTCC) and other interested parties to automate non-ACATs transfers.
- Launch a widespread campaign to educate consumers on ways to identify fraud, highlighting emerging trends and prevalent schemes that member firms are combatting.

III. Conclusion

Thank you for your consideration of this letter. We appreciate FINRA's proactive approach to working with member firms and industry participants through the FINRA Forward initiative, which has already resulted in

⁸ See Letter from Michelle Oroschakoff, Chief Legal Officer, LPL Financial to FINRA dated June 28, 2021, available at:

https://www.finra.org/sites/default/files/NoticeComment/LPL%20Financial_%5BMichelle%20Bryan%20Oroschakoff%5D_6.28.2021%20-%20%5BLPL_FINRA%20Comment%20Letter_RN21-17_Final.pdf

⁹ Ibid

¹⁰ Ibid

important initiatives such as the Financial Intelligence Fusion Center and proposed changes to the gift rule. We look forward to working together as FINRA continues the process of updating the rulebook.

Regards,



Michael Freedman
Executive Vice President
Interim Co-Chief Legal Officer



Nate Saint Victor
Executive Vice President
Interim Co-Chief Legal Officer