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VIA ELECTRONIC MAIL

February 11, 2021

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

**Re: FINRA Regulatory Notice 20-42
Retrospective Rule Review – Lessons From the COVID-19 Pandemic**

Dear Ms. Mitchell:

Nationwide Financial Services, Inc. (“we” or the “Company”)¹ appreciates the opportunity to submit comments and feedback concerning changes made to member firms’ operations and business models due to the effects of the COVID-19 pandemic.

As firm’s offices and operations continue to operate remotely, the need for flexibility and the consideration of new methodology on how firms can continue to conduct business under such circumstances should be considered. We appreciate the opportunity to share some suggested changes in FINRA’s rules and methodology.

Comments

1. Remote Offices, Alternative Work Arrangements, OSJ(s)/Branch Offices and Remote Inspections

The Company believes there is a need for FINRA to re-examine what should be designated as an Office of Supervisory Jurisdiction (“OSJ”) and/or branch office. Many of our registered representatives have conducted our business from their homes or other remote locations, with most of them engaged in Compliance, administrative, operations and non-client facing activities, such as wholesaling variable annuity products and mutual funds to unaffiliated 3rd party firms; such locations are not held out to the public as OSJ’s or branch offices.

As there continues to be valid concerns regarding in-person inspections for the probable future, FINRA needs to give firms the flexibility to conduct such inspections remotely. Allowing such a risk-based approach in conducting inspections will enhance a firm’s ability to focus on particular locations that may engage in sales misconduct in more specific detail, as opposed to conducting inspections in order to satisfy FINRA rule obligations.

¹ This comment letter is written on behalf of four Nationwide Insurance affiliated broker/dealers that are FINRA member firms - Nationwide Securities LLC, (“NSLLC”), Nationwide Investment Services Corporation (“NISC”), Jefferson National Securities Corporation, and Nationwide Fund Distributors, LLC, respectively.

Such risk-based factors that should be considered as whether to permit remote inspections should be determined if the firm maintains its books and records in electronic format that is accessible by the firm's principal office location, the number of registered representatives who work at the location, whether the location hosts in person/client-facing meetings in the location, whether securities transactions or back office functions such as the handling or transfer of cash or securities are consummated at such location, and whether the registered representative(s) at the location have a disciplinary history.

For example, branch office locations that only engage in wholesaling activities that do not service retail customers, should not be required to be the subject of on-site inspections; instead, such firm inspections should be given the freedom to conduct them remotely.

Many firms have gone from physical files to electronic files and systems. Since many supervisory activities can now be conducted remotely by firms with the use of such technology, requiring locations to be registered as OSJs (thus requiring an annual in-person inspection) since an individual approves marketing material(s) or supervising registered representatives in another branch, is costly and does not foster increased customer protection.

Under FINRA Rule 3110(f)(1)(G), locations responsible who supervise the activities of persons associated with other branches are considered an OSJ and are subject to an annual inspection. As we indicated earlier, since many of these inspections can be conducted remotely, FINRA should reexamine annual in-person inspection requirements. The Company proposes that if an OSJ is solely an OSJ because it supervises the activities of persons associated with other branches and the OSJ does not engage in any other OSJ activities (FINRA Rule 3110(f)(1)(A)-(F)), such OSJ locations should be permitted to be placed on a 3-year, rather than an annual, exam cycle.

FINRA should also reconsider whether temporary locations which are created due to a pandemic or other local, state or national emergency, should be required to be FINRA registered as a non-branch, branch office or OSJ location and/or subject to in-person firm inspections. For example, a person that is required to work from home due to the pandemic who is approving advertising materials should not be required to register their home as an OSJ.

2. Engaging with FINRA and FINRA Processes

Due to technology and the common use of electronic signature(s) for customer documents, the Company strongly supports the permitted use of electronic signatures (as opposed to an actual "wet" signature) on Form U-4 filings with FINRA as well as for other filings such as, Form U-4 amendments, and FINRA arbitration disclosure (FINRA Rule 2263). In addition, FINRA electronic signatures should be accepted by FINRA on Form BD update filings without the need for notarization of the filer's signature.

Since electronic signatures can be obtained in multiple ways and settings, FINRA should define what constitutes a proper electronic signature so that all firms are consistent in their approach.

3. Qualification Exams

The Company appreciates FINRA's flexibility regarding enrollment windows and extending periods while performing principal functions without passing the qualification exams; firms needed such considerations during this unprecedented time. This has saved the Company in expense at closing and re-opening windows.

Since FINRA's Securities Industry Essentials ("SIE) exam, Series 6, Series, 7, Series 63 and Series 65 online exam testing has proven successful this past year, we strongly encourage FINRA to consider providing all FINRA securities exams through online testing, such as the Series 24 and Series 26. Our principal exam candidates are having trouble obtaining appointments at in-person testing sites, which has caused delays for them.

Supported Proposals

As Chief Compliance Officer, I am always concerned about how to maintain a strong, effective compliance program. The suggested recommendations provided above will allow the firm to focus on activities that involve a high risk or harm to the investing public, and not to perform onsite reviews of offices that do not engage in high or medium risk activities and enhance surveillance in other areas where warranted.

Thank you for the opportunity to provide comments. If you have any questions, please contact me at (614) 677-1643.

We support the following:

- Provide a risk-based approach which allows firms to conduct remote OSJ and branch office inspections
- Consider whether temporary non-branch, branch office or OSJ should be subject to in-person firm inspections
- Consider extending an OSJ that solely supervises other branch locations from an annual inspection to a 3-year cycle exam window
- Define what constitutes a valid electronic signature
- Permit electronic signatures on Form U-4, Form U-4 amendments and FINRA arbitration disclosure (FINRA Rule 2263)
- Permit electronic signatures on Form BD filings, without the need for the officer's signature to be notarized
- Allow online testing for all FINRA exams, such as Series 24, Series 26, as FINRA already allows for Series 6 and Series 7 exams to be taken online

Respectfully submitted,



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