



***VIA ELECTRONIC DELIVERY***

June 11, 2025

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 (Mar. 12, 2025); Regulatory Notice 25-07: FINRA Requests Comment on Modernizing FINRA Rules, Guidance, and Processes for the Organization and Operation of Member Workplaces (Apr. 14, 2025)

Dear Ms. Mitchell:

Virtu Financial, Inc. (“Virtu”)<sup>1</sup> is pleased to submit this letter in response to the above-referenced Requests for Comment.<sup>2</sup> We applaud FINRA for engaging proactively with its members, investors, and other market participants to explore innovative approaches to modernizing its rulebook. In an evolving financial landscape shaped by rapid technological advancements, FINRA’s willingness to engage in data-driven analysis and to solicit feedback from its members and the public are necessary, timely and commendable. We encourage FINRA to broaden the scope of this initiative to encompass additional regulatory topics in need of modernization and to continue fostering meaningful public engagement through roundtables, open public forums, and direct outreach to member firms to ensure a comprehensive and informed enhancement of the regulatory framework.

Provided below are a few specific suggestions that we urge FINRA to examine as part of its review.

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<sup>1</sup> Virtu is a leading financial firm that leverages cutting-edge technology to deliver liquidity to the global markets and innovative, transparent trading solutions to its clients. Virtu operates as a market maker across numerous exchanges in the U.S. and is a member of all U.S. registered stock exchanges. Virtu’s market structure expertise, broad diversification, and execution technology enable it to provide competitive bids and offers in over 25,000 securities, at over 235 venues, in 36 countries worldwide.

<sup>2</sup> Regulatory Notice 25-04: FINRA Launches Broad Review to Modernize Rules Regarding Member Firms and Associated Persons (Mar. 12, 2025), available at <https://www.finra.org/sites/default/files/2025-03/Regulatory-Notice-25-04.pdf>; Regulatory Notice 25-07: FINRA Requests Comment on Modernizing FINRA Rules, Guidance, and Processes for the Organization and Operation of Member Workplaces (Apr. 14, 2025), available at <https://www.finra.org/rules-guidance/notices/25-07>.

### Rule 4560 – Short Interest Reporting

We believe that FINRA should modernize Rule 4560 to provide greater clarity around the definition of “account”. As currently written, the rule’s ambiguity may prevent firms from netting offsetting long and short positions across principal accounts—even when such positions are economically neutral and belong to the same beneficial owner or aggregation unit. This can result in overstated short interest figures that do not reflect the firm’s actual exposure, thereby undermining the quality and reliability of market-wide data. Aligning reporting requirements with firms’ economic positions, by permitting netting under appropriate conditions, would better serve the rule’s purpose and reduce the likelihood of unnecessary market volatility caused by misinterpreted figures. Furthermore, absent a clear definition of “account,” similarly situated firms with principal accounts may define accounts at degrees of granularity leading to inconsistent short interest reports. Without a clear definition, member firms are at the mercy of staff interpretations of “account” that may change over time and add to unpredictability.

To support this improvement, FINRA should revise Rule 4560 to define “account” within the rule. Such modernization would ease compliance burdens, enhance data accuracy and transparency, and increase investor confidence in the information disseminated. Just as the pandemic accelerated the industry’s use of remote supervision and technology-based compliance, this is an opportunity to reflect evolving practices and technology in a ruleset that has grown misaligned with the current environment.

### Rule 3110 – Supervision

#### *Office of Supervisory Jurisdiction*

The current definitions of Office of Supervisory Jurisdiction (OSJ) and branch office under Rule 3110 create unnecessary ambiguity and compliance burdens for member firms. The regulatory framework lacks clear delineation between these office types, particularly regarding functional versus activity-based classifications. This definitional overlap forces firms to navigate contradictory guidance when determining supervisory structures, resulting in inconsistent interpretations across the industry. The current rule’s complexity undermines the fundamental regulatory objective of establishing clear supervisory responsibilities, as firms struggle to definitively categorize offices that may simultaneously meet criteria for both designations. This regulatory uncertainty exposes firms to examination deficiencies and enforcement actions despite good-faith compliance efforts, ultimately undermining market integrity rather than enhancing it.

To enhance regulatory clarity and member compliance, FINRA should establish bright-line tests that clearly distinguish OSJ from branch office functions based on supervisory scope rather than specific business activities. The rule should incorporate materiality thresholds, such as minimum revenue levels or transaction volumes, before triggering OSJ designation requirements. Additionally, FINRA should provide safe harbors for offices that maintain specific technological controls or alternative supervisory arrangements that achieve equivalent regulatory outcomes.

These reforms would reduce regulatory burden while maintaining investor protection by allowing firms to implement risk-appropriate supervisory structures tailored to their specific business models and technological capabilities.

Currently, FINRA automatically designates an office as an OSJ if any the following business activities occur: order execution or market making; structuring of public offerings or private placements; maintaining custody of customers' funds or securities; final acceptance (approval) of new accounts on behalf of the member; review and endorsement of customer orders, and final approval of retail communications for use by persons associated with the member. This provision creates a disproportionate regulatory burden without a corresponding supervisory benefit. We recommend that FINRA move away from designating offices as OSJs based on the business activities conducted at the office and instead designate an office as an OSJ based on whether supervisory activities are conducted from a particular office. Members generally conduct their business activities and keep business records through electronic and automated systems that require minimal on-site personnel, making the traditional OSJ supervisory model both inefficient and unnecessarily costly. This one-size-fits-all approach penalizes technological innovation and forces firms to maintain expensive supervisory infrastructure where risk-based analysis would support alternative oversight mechanisms. Instead, FINRA should adopt a principles-based approach that allows firms to evaluate their actual supervisory needs based on their supervisory control systems and designated OSJs based on where and how supervision is conducted rather than categorical activity types.

#### *OTC Rules and Regulations*

There are several OTC-specific rules and regulations that have been adopted by FINRA over time, some of which have not been amended in a number of years. We believe that many of these rules would benefit from review as part of this project. Given the overall increase in automation in the OTC markets, there are rules within FINRA Rule 6400, or other FINRA rules that impact OTC trading, that could be adjusted to account for changes in the OTC markets.

An example of this would be FINRA Rule 6438 related to quoting the same price in separate quotation mediums. Given changes in the OTC landscape, we believe that this rule should be adjusted or repealed in order to better align with the realities of the marketplace. Similar to the NMS markets, there are a number of reasons that a member firm may wish to display quotations at different prices across different inter-dealer quotation systems. As a whole, we believe that rules impacting the OTC markets should reflect the current realities of that marketplace.

#### *Residential Supervisory Locations / Branch Inspections*

We also commend FINRA's adoption of Rule 3110.18, which established a voluntary, three-year Remote Inspections Pilot Program (the "Pilot Program") that allows eligible member firms to fulfill their inspection obligations under FINRA Rule 3110(c)(1) through remote means, without conducting on-site visits. The Pilot Program commenced on July 1, 2024, and is set to conclude on June 30, 2027.

We note that simply because a person is physically located at a residential location and performing supervisory activities from that location should not in and of itself cause that location be deemed a “RSL”, especially when the activities are occurring on centralized systems and no records are physically created and maintained at the residential location. While for some firms it may be appropriate to designate a physical location as an OSJ or an RSL, we encourage FINRA to allow firms flexibility in how they supervise, how they conduct inspections, and to refocus the concept of supervision away from physical locations and on the manner of supervision.

In the meantime, we strongly urge FINRA to allow Rule 3110.18 to remain in effect indefinitely while it considers the topic of branches holistically. The Remote Inspections Pilot Program reflects the modern realities of how financial services firms operate, particularly in a post-pandemic environment where hybrid and remote work arrangements are both prevalent and effective. Remote inspections offer a flexible, risk-based approach to compliance oversight, especially for low-risk locations, and have been proven operationally effective during the temporary relief periods following COVID-19. The program enhances efficiency by reducing the logistical and financial burdens of on-site inspections without compromising investor protection, thanks to its structured risk assessment and reporting requirements. Allowing for remote inspections supports innovation in compliance practices, promotes supervisory modernization, and provides firms with the flexibility needed to invest in scalable remote supervision infrastructure.

#### Rule 3270 – Outside Business Activities and Rule 3280 – Private Securities Transactions

FINRA’s current rules on Outside Business Activities (“OBA”) (Rule 3270) and Private Securities Transactions (“PST”) (Rule 3280) impose broad disclosure and approval requirements that sweep in many activities with no nexus to the securities industry. This overbreadth not only burdens registered representatives with compliance obligations unrelated to their core responsibilities but also diverts firm resources toward the monitoring of low-risk or plainly personal endeavors. To modernize its rulebook and promote risk-based regulation, FINRA should revise these rules to focus solely on outside activities that are investment-related or that present a clear potential for conflicts of interest or investor harm.

Narrowing the scope of OBA and PST requirements would better align FINRA’s oversight with its investor protection mandate, reduce regulatory overreach, and support a more practical and proportional approach to supervision. In an era when many professionals engage in side ventures for income diversification or personal development, requiring disclosure of non-investment-related activities – such as non-securities related freelance work, non-securities related real estate businesses, artistic endeavors, and many other businesses that do not involve the offer or sale of securities – does little to enhance market integrity or client protection. A more tailored rule set would preserve essential safeguards while fostering regulatory clarity and fairness for firms and their associated persons.

### Due Process Enhancements

FINRA should also incorporate stronger due process safeguards to ensure fair and equitable enforcement proceedings. A critical reform needed is the establishment of clear temporal limitations that align FINRA's enforcement authority with existing federal standards. Currently, FINRA can pursue disciplinary actions for SEC rule violations even after the SEC's own five-year statute of limitations has expired, creating an inequitable system where industry participants face prolonged exposure to enforcement actions that the primary federal regulator can no longer pursue. This disparity undermines fundamental fairness and creates uncertainty for market participants who reasonably expect that expired limitation periods provide finality.

The principle of regulatory consistency demands that FINRA's enforcement timeline should not exceed that of the SEC when pursuing violations of federal securities laws. If the SEC, as the primary federal securities regulator, determines that a five-year limitation period is appropriate for bringing enforcement actions, FINRA should be bound by the same temporal constraints when addressing identical rule violations. Implementing such limitations would not only enhance due process protections but would also promote regulatory efficiency by encouraging timely investigation and resolution of potential violations. This reform would provide much-needed certainty to the industry while maintaining FINRA's ability to effectively fulfill its regulatory mission within reasonable timeframes.

### Leveraging FINRA Systems to Support Member Compliance

The Firm appreciates the work that FINRA has done to increase API access to data, such as individual registration data. However, firms such as ours would benefit from additional information being made available via API. The use of APIs allows us to automate certain functions and enhance our overall supervision.

There are elements, such as regulatory requests, FINRA Report Cards, etc., that would be very useful to receive via API in order to increase automation and efficiency. Additionally, adjustments to the FINRA Notification API would be a significant enhancement. Currently, notifications are sent even when there are formatting changes made to the rule, which have no bearing on the rule itself. As a result, this generates a large number of updates, but very little useful content for the Firm to review.

### SRO Registration Harmonization

Finally, we urge FINRA to play a leadership role in coordinating with national securities exchanges to unify registration requirements across all self-regulatory organizations (SROs). Currently, firms and associated persons operating across multiple platforms face an inconsistent and duplicative registration framework. Different exchanges maintain their own categories, qualification exams, and continuing education obligations, even when the functional roles and responsibilities of registrants are substantially similar. This regulatory fragmentation imposes

unnecessary administrative and financial burdens on firms without providing a commensurate benefit to investor protection or market integrity.

A unified registration regime—developed collaboratively with the exchanges and administered through a centralized framework—would reduce compliance complexity, promote workforce mobility, and improve regulatory efficiency. It would also reflect the reality of today’s integrated and technology-driven markets, where personnel often serve across multiple trading venues. By advocating for harmonization, FINRA can help modernize the SRO registration landscape in a way that enhances transparency, reduces barriers to entry, and supports a more agile and competitive financial industry.

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Virtu appreciates FINRA’s attention to this comment letter. The U.S. capital markets are the most vibrant, liquid, and transparent in the world, and it is essential to foster innovation to ensure they continue to thrive. Encouraging regulatory clarity and forward-thinking policies will not only help our markets grow but also ensure they remain competitive on a global scale while offering investors greater choice and access to emerging financial technologies. Virtu looks forward to continued engagement with FINRA to support a regulatory framework that balances innovation with investor protection, ultimately strengthening the integrity and efficiency of our financial markets.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Thomas M. Merritt", with a stylized flourish at the end.

Thomas M. Merritt  
Deputy General Counsel

cc: Robert Cook, President and Chief Executive Officer, FINRA  
Robert L.D. Colby, Esq.