

# First Palladium

November 27, 2018

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



\*\*\*VIA EMAIL TO: [pubcom@finra.org](mailto:pubcom@finra.org)\*\*\*

RE: Regulatory Notice 17-38  
Remote Branch Office Inspections

Dear Ms. Mitchell:

First Palladium, LLC ("First Palladium"), CRD No. 289822, received its FINRA membership on April 26, 2018. We realize the comment period concerning remote branch office inspections has expired. However, after listening to the update about this proposal while attending FINRA's Small Firm Conference November 7 and 8, 2018, and as we have commenced designing the supervision of our firm (and reviewed Notice 17-38 and some of the comments made in response thereto), we felt compelled to provide a comment.

First Palladium primarily wholesales variable life insurance on behalf of insurance companies.<sup>1</sup> Our wholesalers are located externally based out of their homes and internally at the home office in Fort Wayne, Indiana. For the remote workers, their responsibilities are to wholesale to registered representatives of other broker-dealers. They have no direct client contact, do not handle securities or funds, and are not keepers of the firm's books and records. We agree with the commenters, including the Committee of Annuities Insurers comments, that Rule 3110 as drafted does not per se prohibit remote office inspections. Nonetheless, it appears some wholesaling broker-dealers conduct remote inspections, because there is enough of an ambiguity in the rule that they take a position it is worth the cost of conducting remote inspections rather than the risk of being wrong and face a FINRA enforcement action.

Remote inspections for wholesaling broker-dealers makes sense, particularly when many of the locations are the primary residence of the wholesalers in compliance with Rule 3310(f)(2)(ii), the RRs don't meet directly with retail clients at these locations, and they don't handle or transmit customer funds or securities from these locations. We encourage FINRA to revise Rule 3110 to be more explicit or to provide guidance interpreting the rule which permits remote inspections for wholesale operations. We appreciate the opportunity to comment. If you should have any further questions regarding this comment, please do not hesitate to contact me.

Cordially,

A handwritten signature in blue ink that reads "Jeffrey V. Gery".

Jeffrey V. Gery  
CEO/CCO

<sup>1</sup> We also sell variable life at a retail level, but only from the firm's home office in Fort Wayne, Indiana.