



January 12, 2018

*Submitted electronically*

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

**Re: Regulatory Notice 17-38 - Remote Branch Office Inspections**

Dear Ms. Mitchell:

Fidelity Investments ("Fidelity")<sup>1</sup> appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA's") Regulatory Notice 17-38 (the "Notice"), which seeks comment on a proposal to amend Rule 3110 to add new Supplementary Material .15 that will provide firms with the flexibility to conduct remote inspections of "qualifying offices" that meet specified criteria, in lieu of physical, on-site inspections of such offices (the "Proposal") as currently required under the rule.

**A. Fidelity strongly supports the Proposal**

Fidelity strongly supports the Proposal and has previously advocated for allowing the flexibility to conduct remote inspections of certain office locations. We greatly appreciate FINRA's willingness to evolve its longstanding inspection requirements based on industry feedback and evolving technology and workforce arrangements.

The Proposal will be impactful and offer substantial relief to firms, notwithstanding the burdens of the "qualifying office" conditions. The Proposal will be notably impactful to inspections of certain non-branch locations such as representatives' personal residences or offices of convenience that are exempt from branch registration. These types of locations continue to proliferate due to increased preference and acceptance of flexible work arrangements.

On-site inspections of offices with a limited number of registered representatives and limited supervisory functions result in disproportionate expenses and productivity loss due to travel and logistics, relative to the supervisory benefits realized. In fact, there is often very little, if anything, to physically review when conducting on-site inspections of these offices. The presence of filing cabinets containing required hardcopy records is no longer common place. Business activities are generally conducted, and books and records are maintained, exclusively through a firm's electronic systems, which are subject to ongoing supervisory and surveillance reviews. The resources currently used to

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<sup>1</sup>Fidelity Investments is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing, and many other financial products and services. Fidelity submits this letter on behalf of our broker-dealers and FINRA members Fidelity Brokerage Services LLC, Fidelity Distributors Corporation, Fidelity Investments Institutional Services Company, Inc., and National Financial Services LLC.

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conduct on-site inspections of certain locations could be better deployed reviewing higher risk activities.

**B. FINRA should conduct a retrospective rule review of branch office and inspection requirements**

We believe the Proposal is a great first step toward modernizing branch office and inspection requirements. However, we would also support a more comprehensive retrospective rule review of branch office registration and inspection requirements for many of the same reasons the Proposal has been made. Advances in communications technology and other firm systems, including those used for remote supervision and surveillance, are substantial enough to warrant an even broader review of the definitions of branch office, office of supervisory jurisdiction and the inspection requirements that attached to those designations.

Fidelity thanks FINRA for considering our comments. We would be pleased to provide any further information and respond to any questions that you may have.

Sincerely,



Norman L. Ashkenas  
Chief Compliance Officer  
Fidelity Brokerage Services LLC



Richard J. O'Brien  
Chief Compliance Officer  
National Financial Services LLC



Jason Linde  
Chief Compliance Officer  
Fidelity Distributors Corporation  
Fidelity Investments Institutional Services Company, Inc.