July 21, 2020

Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number SR-FINRA-2020-019

Dear Secretary:

ProEquities, Inc., submits this comment letter in response to FINRA rule filing SR-FINRA-2020-19 ("rule filing"). The proposed rule filing extends by three months, until March 31, 2021, the deadline by which broker-dealers ("BDs") must conduct physical inspections of their office locations in order to satisfy their calendar year 2020 office inspection requirements in accordance with FINRA Rule 3110. For the reasons discussed below, ProEquities strongly opposes the rule filing. ProEquities also objects to the classification of the rule filing as "noncontroversial," as defined in Exchange Act Rule 19b-4(f)(6).

ProEquities is a large firm independent BD and registered investment adviser ("RIA") headquartered in Birmingham, AL. As an independent contractor firm, we have offices geographically dispersed throughout the United States. ProEquities conducts inspections of these offices in accordance with the requirements of FINRA Rule 3110. In this regard, ProEquities inspects its OSJ locations annually and inspects all other locations generally on a three-year cycle.

Due to the Covid-19 pandemic, during the week of March 9th, ProEquities restricted audit travel to automobile only, meaning the only inspections we could conduct were of those offices we could access via car (as opposed to plane). One week later, on March 16th, ProEquities suspended all of its onsite office inspections.

As we restricted audit travel, our corporate parent Protective Life also instituted a virtual work requirement for almost all employees, including all ProEquities compliance department employees. Like most of corporate America, we now work virtually from home, as do many of our registered representatives. Recognizing that the virtual work environment might last for a while, ProEquities began transitioning its office inspections to a virtual process. Since April, every office inspection conducted has been virtual.

The FINRA rule filing would give BDs until March 31, 2021, to conduct their calendar year 2020 physical office inspections. The rule filing expressly states "FINRA emphasizes that this extension of time does not relieve firms from the on-site inspection requirement of branch offices and non-branch locations currently prescribed by the rule.[1]"

[1] The purpose of this letter is NOT to take a position on FINRA's stated view that Rule 3110(c) requires a physical "on-site" inspection. Rather, the purpose is to address the impracticality of complying with such a requirement.

Under the FINRA proposal, firms that have conducted virtual inspections of their office locations would still need to physically re-audit those same offices by going on-site. ProEquities strongly opposes this requirement and maintains that it creates a logistical impossibility. Let's discuss why.

1. Travel Restrictions: Due to the Covid-19 pandemic, most if not all, BDs have restricted travel. This includes ProEquities. We have no idea when travel restrictions will be lifted. Additionally, we have no idea when we will be able to return to our office but it certainly will not be before Labor Day. I certainly do not expect that corporate-wide travel restrictions will be lifted before employees return to the office.

2. Even assuming our corporate parent removed the travel restrictions, there are numerous states that require visitors to quarantine for up to 14 days upon entry. This means that to conduct an inspection in New York on, for example, August 15, 2020, a ProEquities auditor would need to arrive in the state on August 1st to start the quarantine process. No firm can afford that type of downtime.

3. BDs won't have the staffing capacity to conduct these inspections regardless of how long of a delay FINRA grants. I will use our firm as an example.

In 2020, we will conduct 250 inspections. We were able to conduct 21 of these before the travel embargo. This leaves 229 offices for which ProEquities would need to conduct an on-site inspection in accordance with the FINRA proposal. Now let's assume travel restrictions are relaxed on November 1st (even though medical experts predict a "second wave" in the fall). Under the proposed FINRA rule, we would now have five months in which to conduct those 229 inspections. With an average of 20 working days per month, ProEquities would need to conduct 229 inspections in 100 days, or an average of 2.29 per day, every day. This raises significant problems:

> a. Nonstop Travel: In order to meet this goal, every auditor would need to be out on the road conducting inspections basically every day. We would need to cancel all of their time off requests----no vacations, no days off, no long weekends, etc.. This type of schedule will drive auditors to quit their jobs rather than accept a 100% travel schedule.
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> Perhaps an easy solution would be simply to just hire extra auditors for this five month period and then let them go once firms get caught up on their audit requirements. This solution is entirely impractical for any number of reasons, including the lack of time to post a position, interview candidates, make a job offer, onboard the employee, get her licensed, and train her on ProEquities requirements.
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> b. Weather delays: Unexpected weather delays will undoubtedly arise and cause cancellations, which in turn will wreak havoc on our schedule.
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> c. Holidays: We will lose at least ten inspection days due to the intervening holidays.

4. Our 2021 inspection requirements aren't going anywhere while we conduct our 2020 inspections through the first three months of 2021. As we struggle to satisfy the 2020 inspections, the approximate 250 inspections we must conduct in 2021 sit idle and pile up, which again will condense the amount of time in which we have to conduct those new inspections.

All of the above ignores the possibility, if not probability, that there will still be significant Covid-19 concerns and public apprehension once we are able to again send auditors back on the road. How can we force an auditor to travel and conduct inspections if that auditor is at high risk for having an adverse reaction if she contracts Covid-19? What if the auditor isn't high risk but has grave concerns, like most of us do, about traveling and being constantly exposed to others who may carry the virus?

We also have a large number of RRs aged 60 years or older. If one, hypothetically, is a cancer survivor and has taken significant precautions to avoid exposure to the virus, how can we force him to consent to an onsite audit, especially when that audit is conducted by someone who has been on the road nonstop, traveling through airports, potentially being exposed to the virus? An asymptomatic auditor could very easily transmit the virus without even knowing she had done so.

ProEquities urges FINRA to adopt a rule giving firms credit for conducting inspections that satisfy their Rule 3110 requirements regardless of whether the inspection occurs virtually or on-site. Virtual inspections have proven to be an effective surrogate for on-site inspections. Given these extraordinary global risks, ProEquities respectfully asks the SEC to not approve the FINRA proposal. Requiring firms to conduct on-site inspections during this pandemic is, at best, irresponsible and quite literally could have deadly consequences.

Sincerely,

Steve Youhn

Steve Youhn
Chief Compliance Officer

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