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Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

August 10, 2020

SR-FINRA-2020-019

Dear Ms. Countryman,

Thank you for the opportunity to provide comments to the Securities and Exchange Commission (the "Commission") in response to the Financial Industry Regulatory Authority's ("FINRA") request for public comment on the temporary proposed new FINRA Rule 3110 (Supervision), Supplemental Material .16 (Temporary Extension of Time to Complete Office Inspections) (the "Temporary Rule"), which was filed for immediate effectiveness on July 7, 2020, relating to the on-site inspection of FINRA member firm office locations.

Executive Summary

UBS management appreciates the opportunity to provide comments to the Commission on the Temporary Rule. In this unprecedented and challenging environment, we believe that maintaining an open dialogue between regulators and industry participants is particularly important to address the unique challenges and uncertainty presented by the COVID-19 pandemic and the implications for on-site inspections.

While the Commission and FINRA have taken steps to provide temporary relief regarding on-site inspections covered under 3110, UBS strongly believes that the relief granted through March 31, 2021 may be insufficient given the continued challenges presented by the pandemic. As the path towards recovery remains uncertain, the safety of our employees remains a top priority. It is our firm's contention that remote reviews are the most effective means to satisfy our branch inspection obligations and believe FINRA should consider firms' implementation and the efficacy of remote reviews to address the branch inspection requirements for 2020.

Additionally, UBS strongly supports the comments regarding the Temporary Rule submitted by Securities Industry and Financial Markets ("SIFMA") dated July 28, 2020. The SIFMA letter clearly articulates the context, challenges, and uncertainty regarding the course of the pandemic motivating this comment letter and outlines the reasons for and efficacy of remote reviews.

Background

UBS AG, a subsidiary of UBS Group AG, operates three main lines of businesses in the United States - its Global Wealth Management Americas business primarily operated through UBS Financial Services Inc. ("UBSFSI "), its Investment Banking business primarily operated through UBS Securities LLC ("UBS Sec LLC "), and its Global Asset Management business primarily operated through UBS Asset Management (Americas) Inc. "

Challenges presented by COVID vis a vis FINRA 3110 on-site inspection requirements

As the scope and nature of the COVID-19 pandemic became clearer in March 2020, UBS and many other firms suspended all non-essential business travel, which included travel for regulatory purposes such as on-site inspections. This suspension has not been lifted, as the health concerns that prompted the suspension continue to exist. Furthermore, UBS and other firms implemented policies requiring or strongly encouraging all employees to work from home except those individuals whose duties are considered essential to the continued operations of the firm and could only be performed in an office setting. For many firms, a vast majority of employees work from home and these firms are now just beginning to implement "return to office" programs, which include staggered re-entry to the office while taking into account the local area's health conditions. These re-entry programs have generally not impacted travel suspensions, which remain in place and are further complicated by various states implementing their own travel restrictions and self-quarantine requirements.

Efficacy of remote inspections

Even if the path of the pandemic was to improve and business travel was considered safe by the end of 2020, the logistical challenges of conducting the balance of on-site inspections in the first quarter of 2021 would be daunting. Respectfully, FINRA should consider in its rulemaking the advancements in technology that would support a greater reliance on remote reviews to satisfy the 3110 requirements. UBS is currently conducting remote reviews that include, but are not limited to, the following testing areas:

- 3110(c)(2)(A) requirements
 - Review the supervision regarding safeguarding of customer funds, maintaining books and records, supervision of supervisory personnel, transmittal of funds, and changes in customer account information can be reviewed remotely via technology:
 - Funds and securities movements and the associated supervision are executed and tracked electronically
 - Many books and records are maintained electronically or can be scanned upon request for review
 - Many supervisory tools are electronic and include audit trails to verify appropriate supervision
 - Disbursements and deposits and the attendant supervision are tracked electronically
 - Customer account information is maintained electronically and changes are tracked and verified via IT systems and tools
- Review of changes to policies and procedures implemented specifically due to COVID-19 challenges can be addressed remotely via conference calls with supervisory staff;
- Employee conduct related reviews (i.e. outside business activities, outside investments, personal trading, utilization of social media, non-cash compensation, electronic communications, client complaints, cross border business etc.) can largely be conducted remotely via electronic tools and record keeping

UBS strongly believe that remote reviews address the vast majority of the material risks to clients, and that the small percentage of testing programs not yet accommodated by remote reviews (e.g. signage, physical office security) may be addressed by new technology and processes in the future.

In summary, it is our considered opinion that remote reviews without on-site inspections are the most effective and efficient approach to satisfy the requirements of FINRA 3110, assessing the supervision of our locations, and protecting our clients, all while maintaining the health and safety of our employees during the COVID-19 pandemic. As such, we respectfully request that the Commission consider providing full relief for on-site inspections requirements, with the understanding that robust remote reviews will continue in their place until conditions allow for a return to normal business operations.

Yours sincerely

UBS Business Solutions US LCC


Signature

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