



VIA ELECTRONIC MAIL: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

December 15, 2020

Ms. Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**Re: File No. SR-FINRA-2020-040 Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Adopt Temporary Supplementary Material .17 (Temporary Relief to Allow Remote Inspections for Calendar Year 2020 and Calendar Year 2021) Under FINRA Rule 3110 (Supervision)**

Dear Secretary Countryman,

Cambridge Investment Research, Inc. (“Cambridge”) appreciates the opportunity to comment on the proposed rule change contemplated in SR-FINRA-2020-040 (the “Proposal”) that would amend the Financial Industry Regulatory Authority’s (“FINRA”) Rule 3110 (Supervision). We understand that this proposed rule change, allows member firms to conduct calendar year 2020 and 2021 inspections remotely as a result of the health and safety considerations presented by the current coronavirus pandemic (“COVID-19”).

Cambridge appreciates and supports FINRA’s proposal to permit member firms to complete calendar year 2020 and 2021 office inspections remotely. In Cambridge’s response to SR-FINRA-2020-019, Cambridge encouraged FINRA to permit firms to conduct office inspections remotely during the current pandemic, as firms like Cambridge have been presented with numerous challenges that impact a firm’s ability to meet its office inspection obligations. The proposal to permit firms to conduct calendar year 2020 and 2021 inspections remotely provides necessary relief for firms to meet their obligations under Rule 3110.

In Cambridge’s response to SR-FINRA-2020-019, Cambridge further encouraged FINRA to amend Rule 3110 permanently to permit remote inspections in accordance with a risk-based approach. Consistent with this view, at a minimum, the Rule should be amended to allow remote inspections if and when health and safety considerations or other public health matters lead to

1776 Pleasant Plain Road • Fairfield, Iowa 52556 | Phone: 800-777-6080 | Fax: 641-469-1691  
[cambridge@cir2.com](mailto:cambridge@cir2.com) | [www.cir2.com](http://www.cir2.com)

government imposed travel restrictions or business closures. Cambridge again encourages FINRA to amend permanently Rule 3110 to allow for remote inspections and virtual audits.

Cambridge understands and acknowledges the historical importance of on-site inspections. Prior to the prevalence of modern technology including laptops, mobile devices, video conferencing capabilities, electronic storage and electronic surveillance, on-site inspections were the only way firms could see and review activities occurring in branches. The advent of new and developing technology has enhanced the effectiveness of firm's supervision and monitoring programs for branch offices and non-branch locations.

Fast forward to 2020, most firms conduct a majority of the branch inspection reviews electronically, prior to any on-site visit. As a result, physical on-site office and records inspections are of diminishing value or utility. Cambridge believes it would be most valuable if a firm could utilize a risk-based approach to determine annually which offices could be inspected remotely and which offices should be inspected in person.

The ongoing outbreak of COVID-19 highlights the broader need for similar relief from on-site inspections if and when circumstances similar to those faced today arise. Cambridge envisions a rule with sufficient flexibility to protect the health and welfare of audit teams when unforeseen circumstances prevent a firm from completing an on-site inspection.

Cambridge's request for FINRA to amend Rule 3110 to allow remote branch inspections in the future is necessary if other circumstances affect a firm's ability to conduct an on-site examination of an office. Future epidemics, pandemics, natural disasters, social unrest, or governmental restrictions may prevent a firm's personnel from traveling to an office or otherwise prevent an on-site office inspection.

The unpredictable nature of any of these circumstances may not allow a firm the opportunity to prepare for or reschedule an on-site examination of an office within the calendar year in which the inspection was to be completed. In these and other, similar, situations, it should be permissible for firms to conduct a remote inspection or virtual exam of an office.

The technology available to firms, including but not limited to electronic correspondence capabilities and the ability to conduct electronic visual meetings, allows firms to fulfill their inspection obligations under FINRA Rule 3110 without the requirement to be physically present on-site. Further, it would be beneficial for firms to have the ability to use a risk-based approach to determine which offices would receive an on-site visit each year.

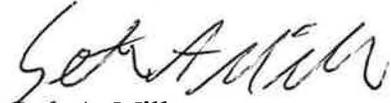
The diminishing utility of on-site examinations in today's digital environment militates in favor of permitting remote examinations when possible. Further, at a minimum, as outlined above, there are certain circumstances, including the current COVID-19 outbreak, which necessitate the ability for a firm to conduct a remote inspection to fulfill the firm's supervision requirements under FINRA Rule 3110.

Cambridge supports the proposal to permit member firms to conduct calendar year 2020 and 2021 inspections remotely but notes that the 90-day extension to complete 2020 inspections may not be sufficient to provide all firms the necessary relief. Given the timing of the proposed rule release and the continued strain the COVID-19 outbreak continues to place on resources, Cambridge believes an extension to complete 2020 inspections to June 30, 2021 provides a more workable timeline for member firms.

Finally, Cambridge respectfully requests FINRA amend Rule 3110 to allow for remote inspections or virtual audits on a go-forward basis.

Cambridge would be happy to discuss further any of the comments or recommendations outlined in this letter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Seth A. Miller".

Seth A. Miller  
General Counsel  
Executive Vice President, Chief Risk Officer