

August 29, 2023

Submitted electronically

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

Re: File No. SR-FINRA-2023-007, Notice of Filing of Amendment No. 1 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as modified by Amendment No. 1, to adopt Supplementary Material .18 (Remote Inspections Pilot Program) under FINRA Rule 3110 (Supervision)

Dear Ms. Countryman:

On behalf of LPL Financial LLC (“LPL”), I am writing to express our strong support for the Financial Industry Regulatory Authority (“FINRA”) proposal to adopt Supplementary Material 0.18 (the “Proposal”) to establish a remote inspection pilot program. LPL and other broker-dealers have been performing remote inspections for more than three years, since the onset of the coronavirus pandemic. These inspections have proven to be efficient, utilizing modern technology to maintain the same levels of investor protection as on-site exams for low-risk branches. We urge the Commission to approve the three-year pilot program.

## **I. Overview of LPL Financial**

LPL is a leading retail investment advisory firm, independent broker-dealer and registered investment advisor custodian. We serve as a trusted partner to approximately 21,000 financial professionals across the country, including financial professionals at over 1,100 banks and credit unions and approximately 500 registered investment advisers. LPL provides them with the technology, research, clearing and compliance services and practice management programs they need to create and grow thriving practices. LPL enables affiliated financial professionals to provide personalized financial guidance to millions of American families seeking wealth management, retirement planning, financial planning and asset management solutions. Our affiliated financial professionals operate in all 50 states.

## **II. LPL’s Branch Examination Program**

LPL is the largest independent broker-dealer in the country and maintains a robust branch examination program. Since the onset of the coronavirus pandemic in March 2020, our 75 full time branch examiners have performed more than 27,300 remote branch exams. Our team has reimaged the branch exam process to leverage publically available online tools and resources, including secretary of state databases, google searches and google street view, in order to efficiently and effectively examine branches using video calls. Although the program was built out quickly, over the course of nearly three years our branch examiners have refined their skills and become very adept at identifying risk remotely. We believe that, should the SEC approve the pilot program, the data submitted from participating firms will show minimal variances between findings from on-site exams and remote exams.

### III. Continued Support for Remote Branch Exam Pilot Program

As stated in previous comment letters, LPL strongly supports the establishment of the proposed three-year remote branch exam pilot program. We believe that the industry would have moved towards adopting remote branch exams in the near future, but that the move was accelerated by the pandemic and associated travel restrictions. Prior to the pandemic, most of the research and pre-work was being performed using internet searches, public electronic databases and using our own ongoing supervision of the branch and systems. This resulted in findings predominantly being identified during exam preparations, before the examiner arrived on-site. Our revised approach to performing exams remotely builds on the existing process, ultimately resulting in a streamlined exam that still maintains all investor protections.

LPL performs on-site branch exams for high-risk locations and, when we were in the geographic area, will perform on-site exams for nearby branch locations. We support FINRA's risk-based approach to exams, as outlined in the Proposal, and will continue to examine low-risk locations that are in similar areas in order to maximize travel and reduce the inefficiencies of having branch examiners traveling to various locations across the country for more than six months of the year.

### IV. Planning Considerations

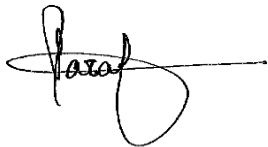
Firms have been operating under the temporary relief provided by FINRA for nearly three-years, a significant period of time over which staffing has changed due to natural attrition and subsequent hiring. If the Commission decides not to approve the pilot program, firms will need to do hands-on training in order to prepare to return to on-site exams on a full time basis. We respectfully ask the Commission to work with FINRA to extend the temporary relief to June 30, 2024 in order to allow firms to plan a travel schedule and provide ample training to our examiners to return to in-person exams.

Further, we ask the Commission to approve the proposal to adopt Supplementary Material .19 under FINRA Rule 3110 (Supervision) at the same time as approving this Proposal. Supplementary Material .19 would adopt a new definition for "Residential Supervisory Location", permitting registered supervisors to work from home and the remote branch exam pilot program will protect the privacy of those supervisors by allowing firms to examine those locations remotely. It is imperative that they are both approved at the same time.

### V. Conclusion

Thank you for your consideration of this letter. We look forward to continuing to work with FINRA and the Commission in order to see this Proposal approved. Please contact me at [Tara.Gilchrist@lplfinancial.com](mailto:Tara.Gilchrist@lplfinancial.com) with any questions.

Sincerely,



Tara Gilchrist  
SVP, Head of Branch Exams