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February 16, 2021

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

Re: Regulatory Notice 20-42

Dear Ms. Piorko Mitchell:

On behalf of the Insured Retirement Institute (IRI)<sup>1</sup>, we thank you for the opportunity to comment on FINRA's Retrospective Rule Review, per FINRA's Request for Comments from stakeholders on lessons from the COVID-19 Pandemic (Notice 20-42).

Based on our ongoing engagement and discussions with FINRA, IRI looks forward to working collaboratively with FINRA on undertaking a comprehensive discussion on the future of "brick and mortar" supervisory systems and regulations, while assessing the effectiveness of supervision in a remote working environment. We offer the following comments in collaboration with FINRA to address the ongoing pandemic, and its related operational and regulatory matters addressed in Notice 20-42. While our comments set forth below represent some key issues identified by IRI, we welcome continued dialogue on regulatory modernization with FINRA to best serve our mutual members and consumers alike in the current and post-pandemic financial and retirement marketplace.

As Notice 20-42 directs, IRI continues to assess the anticipated long-term impacts of the pandemic on member firms and investors. Therefore, IRI values FINRA's Retrospective Rule Review and related Notice 20-42, allowing stakeholders and FINRA to mutually acknowledge the purpose and necessity to extend certain regulatory relief measures, and consideration of identified regulations to be made permanent.

In response to FINRA's Notice 20-42 solicitation of comments, IRI respectfully offers the following general and specific comments:

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<sup>1</sup> IRI is the leading association for the entire supply chain of insured retirement strategies, including life insurers, asset managers, and distributors such as broker-dealers, banks, and marketing organizations. IRI members account for more than 95 percent of annuity assets in the U.S., the top 10 distributors of annuities ranked by assets under management and are represented by financial professionals serving millions of Americans. IRI champions retirement security for all through leadership in advocacy, awareness, research, and the advancement of digital solutions within a collaborative industry community.

Remote Offices, Alternative Work Arrangements and Remote Inspections:

1. Current regulation does not expressly set forth whether inspections must be on-site or can be conducted remotely.
2. Pandemic experience validates the effectiveness of inspections and supervisory office visits conducted remotely.
3. Technological means for remote inspections and supervisory visits is widely available. Therefore, regulation should be broad enough to allow technologically challenged firms to continue in-person, but do not mandate firms with the appropriate technology to use in-person requirements. A risk-based regulatory approach could help address and resolve small-firm vs. large-firm regulatory or operational concerns.

Changes to Business Operations:

The pandemic necessitates social distancing of people and establishment of alternative work environments for businesses to continue operations in a safe and productive manner. The alternative work environment, such as teleworking, has demonstrated that virtually all tasks of a financial services firms can be accomplished remotely by employees working from home or off-site:

1. As employees use corporate systems in an alternative work arrangement, subject to all the checks and balances of normal procedures, there is no rationale or necessity to require such clerical functions to be subject to on-site audit or supervision requirements.
2. Remote procedures to supervise and monitor off-site employees have fulfilled firm's compliance requirements sufficient to protect the consumer.
3. Regulatory exceptions could be made for cause-type audits and/or supervisory visits, as determined necessary and appropriate. Such exceptions could employ a random selection type audit or supervisory visit, and/or a risk-based classification of such employees into categories which *may* require an on-site audit or supervisory visit and those which do not.

Registration:

The definitions of branch office and office of supervisory jurisdiction (OSJ) in FINRA Rule 3110(f) should be updated to permit use of remote offices/locations, such as an associated person's primary residence. These definitions have not been substantively revised for several years. The pandemic's ongoing effects on business operations coupled with continuous technological advancements necessitate these definitions be revisited and revised to keep pace with an evolving technological landscape. FINRA could also issue guidance on alternative work arrangements, including maintaining appropriate supervision.

Inspections:

Based on working conditions created by the COVID-19 pandemic, FINRA has permitted member firms to perform remote inspections through 2021. FINRA should update Rule 3110(c) to allow firms to maintain the ability to perform remote inspections beyond 2021. Firms maintaining the ability to conduct exams remotely, as a feature of the exam process, provides necessary flexibility to safely and timely complete inspections in the going forward.

Qualification Examinations:

With respect to Notice 20-42's Section on *Qualification Examinations*, IRI strongly supports the ongoing ability to register for and take the appropriate qualification examinations online, as currently permitted under FINRA's regulatory relief regime. As evidenced in Notice 20-42, registered professionals have taken the opportunity to follow FINRA's rules and procedures for virtual or online examinations. Further, IRI recommends FINRA expand the current regulatory relief to include all qualification exams, to encompass all FINRA-administered examinations for professionals qualifying to take such examinations.

Engaging with FINRA and FINRA Processes:

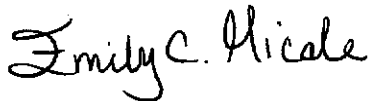
With respect to FINRA processes, IRI recommends FINRA should allow greater flexibility in the use of electronic signatures for Registration purposes, particularly for use in initial or transfer Form U4s, where currently manual (wet) signatures are required.

While IRI addressed some key issues in our comments above, we welcome an opportunity to share additional, specific comments on other regulatory relief rules addressed in Notice 20-42. As the industry adapts to the economic, compliance and operational needs resulting from the COVID-19 pandemic, IRI seeks to partner with FINRA, regulators and other stakeholders to work towards regulatory modernization to best represent our members and the consumers they serve.

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Thank you again for the opportunity to provide these comments. If you have questions, or if IRI can be of any further assistance in connection with this important regulatory effort, please feel free to contact the undersigned at [emicale@irionline.org](mailto:emicale@irionline.org).

Respectfully submitted,



Emily Micale

Director, Federal Regulatory Affairs