



Cornell University  
Law School

Lawyers in the Best Sense

**WILLIAM A. JACOBSON**  
*Clinical Professor of Law*

154 Myron Taylor Hall  
Ithaca, New York 14853-4901  
T: 607.255.6293  
F: 607.255.3269  
E: waj24@cornell.edu

January 11, 2018

Via Email (pubcom@finra.org)

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

**Re: Regulatory Notice 17-38 (Remote Branch Office Inspections)**

Dear Ms. Mitchell,

The Cornell Law Securities Law Clinic (the "Clinic") welcomes the opportunity to comment on the Proposed Amendment to Rule 3110 (Supervision) to Provide Firms the Option to Conduct Remote Inspections of Offices and Locations That Meet Specified Criteria, adding Supplementary Material .15 ("Proposed Amendment"). The Clinic is a Cornell Law School curricular offering in which law students provide representation to the public investors and public education as to investment fraud in the largely rural "Southern Tier" region of upstate New York. For more information please visit <http://www.securities.lawschool.cornell.edu>.

While the Clinic supports the concept of utilizing new technologies to make supervision of remote offices more effective and efficient, the Clinic has some concerns, discussed below.

As a general matter, technology may, under certain circumstances, enable off-site inspections to be as effective as on-site inspections for otherwise problem-free "qualifying offices." Under the Proposed Amendment, firms will still be required to consider the factors listed in Rule 3110.12 and to create reasonable policies and procedures to determine whether an office is a qualifying office and whether an off-site inspection is reasonable.

However, the Clinic is concerned that that this Amendment could open avenues to evade supervision, particularly for representatives who maintain outside business activities. FINRA should consider whether maintaining outside business activities at the remote location should require on-site inspections.

The Clinic also recommends FINRA provide more detailed guidance as to what is required of the off-site inspection. The current Proposed Amendment requires the inspection to



Jennifer Piorko Mitchell  
January 11, 2018  
Page 2

be “reasonable,” but does not give any guidance as to what constitutes reasonable process. Rule 3110.12 does provide factors firms must take into consideration when performing an inspection, but there is no guidance in the Proposed Amendment to determine what is a “reasonable” procedure.

FINRA should also consider requiring an initial on-site inspection, training program, or some other qualification for employees of these “qualifying offices” prior to permitting the off-site inspections.

In conclusion, for the foregoing reasons, the Clinic generally supports FINRA’s allowing remote supervision, but urges FINRA to consider additional constraints.

Respectfully submitted,

*William A. Jacobson*

---

William A. Jacobson, Esq.  
Clinical Professor of Law  
Director, Cornell Securities Law Clinic

*Patricia Garcia-Linares*

---

Patricia Garcia-Linares  
Cornell Law School 2019