



January 12, 2018

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

Emailed via: pubcom@finra.org

RE: Remote Branch Office Inspections

On November 13, 2017 FINRA requested comment on a proposal to amend Rule 3110 to provide firms the option of conducting remote inspections of offices and locations meeting prescribed criteria. GWFS Equities, Inc. ("GWFS") applauds FINRA for the proposal to provide firms with flexibility when conducting inspections of qualified locations by allowing remote inspections. The proposal would update outdated regulatory requirements by taking into consideration advancements in technology relating to electronic communications and storage of books and records. Such flexibility would allow firms to reallocate valuable compliance resources to other high risk areas.

GWFS offers the following in response to questions raised in Regulatory Notice 17-38:

1. *How does the firm currently fulfill its obligations under Rule 3110(c) for those offices or locations at which few associated persons reside and limited or low-risk activities occur? In what way(s) would the use of remote inspections impact the firm's current inspection process or practices?*

GWFS conducts on-site inspections of all OSJ and supervisory branch offices on an annual basis, even where three or fewer associated persons conduct business from that location and/or whether the reason for registration as an OSJ or branch office is solely because of the supervisory activities described in Rule 3110(f). Non-supervisory branch offices are inspected no less than once every three years and non-registered locations no less than once every five years. These offices generally have three or fewer associated persons and are subject in low-risk activities. As described in the Firm's responses to additional questions below, allowing remote inspections for qualified locations will have a positive economic impact to the Firm by lowering travel and staff resource costs currently needed to conduct "on site" inspections, but without increasing supervisory risk to the broker dealer.

3. *Are there other criteria for a "qualifying office" that should be considered?*
 - a. *The proposal requires a firm to determine whether a remote inspection of a qualifying office would be reasonable by considering the factors set forth under Rule 3110.12 including the volume of business. Should a threshold be imposed on the volume of business generated from the qualifying office, or should offices that are responsible for a significant proportion of a firm's business be excluded from the definition?*

Securities offered through GWFS Equities, Inc. and/or other broker dealers.

Insurance products offered by Great-West Life & Annuity Insurance Company, Corporate Office: Greenwood Village, CO; or in New York, by Great-West Life & Annuity Insurance Company of New York, Home Office: New York, NY.

Each firm should be responsible for making risk based decisions to determine whether remote inspections of its offices will adequately assist the firm in detecting and preventing violations of, and achieving compliance with, applicable securities law and regulations and with FINRA rules. A threshold criterion concerning the volume of business generated by a qualifying office is not applicable to GWFS' business model. The firm's offices that would qualify for remote inspections are not retail producing branch offices. These offices are typically personal residences involved with customer service call centers, product wholesaling or other miscellaneous back office operations.

- b. *Should there be a prerequisite that a firm must have conducted an on-site inspection of an office or location before such office or location could become a qualifying office?*

No. Given GWFS offices that would be eligible for remote inspections are primarily involved with customer service call center functions, product wholesale activities and other back office operations functions performed electronically in personal residences, the firm would not benefit from an initial in person inspection prior to being a qualified location.

- c. *Should the firm be required to conduct an interview with the associated person(s) designated to the qualifying office by video conference or in-person at any mutually agreed upon office or location?*

GWFS does believe that dialogue with registered representatives is particularly important for locations eligible for a remote inspection. However, video conferences would not universally be available to the Firm's registered representatives working from qualifying office locations and making them available would result in an additional expense to the Firm. Further, an "in person at a mutually agreed upon office" interview would generally still require air fare and/or other substantive travel costs such that these interviews would impose expenses on the firm similar to that of on-site office inspections. Telephone interviews should be permitted rather than mandating in-person or video.

- d. *Should there be a minimum distance between the qualifying office and the OSJ or supervisory branch office?*

No. GWFS does not believe there should be a minimum distance requirement that must be met for a location to be eligible for remote inspections. Given the firm's business model and the use of electronically stored books and records, distance is not a relevant criterion for remote inspection eligibility. As previously stated, firms should make risk based decisions to determine which of their locations are eligible for remote inspections.

4. *The proposal seeks to limit the number of associated persons designated to a qualifying office to three. Is this threshold reasonable? If not, why not? Is there a more appropriate threshold and why? Please provide a specific threshold and the underlying rationale for the threshold.*

Yes. GWFS believes three associated persons at a location is a reasonable threshold for offices to be eligible for remote inspections.

5. *Are there criteria for a qualifying office that should be excluded?*

No. GWFS believes the proposed qualifying criteria for remote inspection eligibility are appropriate to

facilitate 3110 requirements. Additionally, GWFS feels strongly the qualifying criteria allowing remote inspections for OSJ and supervisory branch offices that are solely registered as such because of the supervisory functions detailed on Page 4, item #6 remain in the proposed policy amendment.

6. *Does the proposal have any potential negative impacts on a firm's ability to fulfill its obligations under Rule 3110(c)?*

No.

7. *Are there any material economic impacts, including costs and benefits, to investors, issuers and firms that are associated specifically with the proposal? If so:*

a. *What are these economic impacts and what are their primary sources?*

Based upon the estimated number of locations that would be potentially eligible for remote inspection based upon criteria detailed in RN 17-38, GWFS would potentially realize a significant decrease in costs associated with compliance and operational staff resources and travel annually, which would result increased efficiencies for the firm. This number would likely increase as the firm anticipates the number of offices eligible for remote inspections would continue to increase in the future.

b. *To what extent would these economic impacts differ by business attributes, such as size of the firm or differences in business models?*

The economic impacts of this rule change would be significant to firms, such as GWFS, whose business model does not involve retail production offices. Many of GWFS' qualified locations are personal residences from which customer service call center, product wholesaler and miscellaneous back office operations activities are performed.

c. *To what extent would these economic impacts affect existing business models and existing organizational structures?*

The economic impacts of this rule change would be significant to firms whose business model does not involve retail production offices, including GWFS. GWFS' qualified locations are personal residences from which customer service call center, product wholesaler and miscellaneous back office operations activities are performed. These locations are inspected by a centralized compliance team, so neither the business model nor organizational structure would be affected by the proposal.

d. *What would be the magnitude of these impacts, including costs and benefits (e.g., travel, infrastructure, human resources)?*

In addition to the economic benefits previously mentioned, there would inherently be a reduction in travel (i.e., air fare, lodging, meals) which could allocate additional compliance budget and staff resources to be utilized for other compliance projects that address higher risk areas. If video conferencing became a requirement for locations eligible for remote inspections, there would be an additional infrastructure expense incurred by the firm to ensure all eligible locations have the necessary equipment to facilitate video conferencing.

- e. *How many and what percentage of your firm's branch offices and non-branch locations do you estimate would be able to take advantage of the remote inspection option?*

Based upon the criteria detailed in RN 17-38, GWFS anticipates that just fewer than 200 locations, 29% of all registered and non-registered locations, may be eligible for remote inspections.

As previously mentioned, GWFS applauds FINRA's recognition that the current on-site inspection requirement should be examined in light of changes in technology firms utilize in maintaining books and records as well as the technology available to conduct remote inspections. Please do not hesitate to contact me at 303-737-1742 or email at ken.schindler@greatwest.com if you require additional explanatory information.

Sincerely,

Kenneth I. Schindler
Chief Compliance Officer – GWFS Equities, Inc.