

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

Dear Ms. Mitchell —

I am writing to provide feedback on proposed changes to FINRA Rule 3270 (Outside Business Activities of Registered Persons), as recently described in Regulatory Notice 18-08.

Of most interest to our firm is the proposal that members will no longer be required to provide ongoing supervision of registered persons' unaffiliated investment advisory activities. We think this is a spectacularly good idea.

My partner and I are owners and IARs of a Registered Investment Advisor, as well as Registered Reps with a Broker/Dealer. In our experience, the BD's supervision of our RIA has resulted in a lot of confusing and tedious work and cost for both parties, with no benefit to investors.

- Our RIA is regulated by the SEC, and per our fiduciary duty to our clients, we already act in their best interest and expend a lot of effort to ensure that they are invested suitably. The BD is essentially forced to redundantly confirm what the SEC already requires us to do.
- If this redundant supervision were easy, it would be fine — but it's not. It requires a huge amount of information to be shared and coordinated. We have hundreds of clients, and any time there is a change with one of them, we have to manually update the info with our BD, as there is no automated system in place to do so. This makes for a lot of duplicated work.
- There is even more work on the BD side, as they have to not only collect all this info but constantly monitor it. Our BD charges us a significant fee for their efforts.
- On top of the overall volume of work created, there are often mismatches between how our BD monitors our RIA and how we run it. This is because BD's tend to take a cookie-cutter approach to supervising outside RIA's — understandable, given the amount of work involved — but a source of trouble if we don't fit the mold.
- Here's one concrete example of such a mismatch. At our RIA, we sometimes manage an entire multi-account household to a single allocation. Doing so can reduce transaction fees and allow tax location optimization, both of which are obviously good for clients. But our BD attempts to determine suitability at the account level, which causes problems because an individual account may appear unsuitable if it's not viewed in the context of the overall household-level allocation. This is one of the main mismatches we encounter, but we've run into others.

In short, requiring our BD to supervise our RIA entails an enormous amount of work and expense on both sides, but it provides no advantage to clients. Notably, **never once has our BD**

discovered an actual problem or mistake regarding the allocation of our external RIA accounts.

We believe that it should be our sole responsibility to ensure the compliance and suitability of our external RIA accounts, not that of a BD that is poorly equipped to properly do the job. We strongly encourage you to move forward with this aspect of the proposed rule change.

Thank you for refining your rules to make them work better, and for reading my comment. Please feel free to contact me if I can provide any further information.

Sincerely,
John Simon

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