



CAPITAL | **AMERICAN**
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VIA Electronic Mail

February 16, 2021

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

Re: FINRA Regulatory Notice 20-42 Retrospective Rule Review - Lessons From the COVID-19 Pandemic

Dear Ms. Mitchell,

American Funds Distributors, Inc. (AFD) appreciates the opportunity to provide the following comments related to experiences from the COVID-19 Pandemic as requested in FINRA Regulatory Notice 20-42.

As background, AFD, with its home office in Los Angeles, California, is registered with the Securities and Exchange Commission (SEC) as a broker-dealer and investment adviser, registered with the Municipal Securities Rulemaking Board (MSRB) as a Municipal Securities dealer, and a member of the Financial Industry Regulatory Authority (FINRA). AFD is the principal underwriter and national distributor for the American Funds mutual funds, CollegeAmerica 529 Program, the distributor of the American Funds Insurance Series ("AFIS"), the distributor of the Capital Group Separately Managed Account (SMA) strategies as well as other Capital Group investment strategies. We distribute our investment services to financial intermediaries and do not maintain accounts directly with retail or institutional investors.

Comments

1. Remote Offices, Alternative Work Arrangements and Remote Inspections

AFD is supportive of allowing the flexibility of working remotely from residential (home) addresses. To better enable such flexibility, we recommend that FINRA amend Rule 3110 (f) (2) (A) (ii) regarding an associated person's primary residence being excluded from registration as a branch. Specifically, AFD recommends removing stipulation "a" ("Only one associated person, or multiple associated persons who reside at the [Primary Residence] and are members of the same immediate family, conduct business at the location.") to allow for unrelated associated persons who are roommates to continue to work remotely from their Primary Residence post-pandemic.

The current stipulation negatively impacts associated persons that are roommates as well as causing unnecessary economic burdens. Firms should have an awareness of their associated people's Primary Residence and design their compliance programs to take into account any risk factors associated with unrelated associated persons sharing a Primary Residence.

Additionally, AFD is supportive of FINRA allowing the flexibility to perform remote office examinations on a permanent basis. Member firms can determine an appropriate examination approach utilizing a risk-based analysis.

2. Engaging with FINRA and FINRA Processes

With recent improvements in technology and electronic security, AFD recommends an update to the "Temporary Relief relating to Rule 1010" (Electronic Filing Requirements for Uniform Forms) to remove the stipulation that firms "obtain the applicant's manual signature as soon as practicable." In so doing, FINRA should provide the industry guidance regarding appropriate electronic signature protocols. The SEC recently amended its rules to permit a signatory to an SEC filing to electronically sign a document that authenticates the individual's typed signature on the filing.¹ We believe the SEC's approach strikes the right balance in allowing electronic signatures to authenticate documents while adopting controls designed to ensure the electronic signature is valid.

Also, AFD recommends a move to electronic correspondence as FINRA's primary delivery method and/or the establishment of a centralized location for all FINRA correspondence to be accessed in an electronic manner. Utilizing electronic communication as the primary delivery method of FINRA correspondence ensures timely receipt of such correspondence, particularly if members have limited access to their home offices, as has been the case during the pandemic.

We also encourage FINRA to work with the SEC to modernize existing rules regarding document retention. With the proliferation of content and communication channels as well as substantive technology enhancements related to securing documents, greater flexibility with respect to document storage and records retention is warranted.

3. Qualification Examinations

AFD is supportive of FINRA retaining and expanding the online delivery of qualification exams. Unfortunately, many Firms have not been able to support the remotely proctored examinations on their devices due to technical (firewall/VPN) and procedural requirements. Identifying an approach for greater industry adoption is recommended.

We appreciate the opportunity to provide these comments. If there are any questions regarding our suggestions, please call me at (213) 615-3039.

Regards,

William C. Anderson
Chief Compliance Officer
American Funds Distributors, Inc.

¹ <https://www.sec.gov/rules/final/2020/33-10889.pdf>