

June 11, 2025

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 25-04

In a recent meeting of the San Francisco Compliance Roundtable, it was agreed that we wanted to provide comments to FINRA's Rule Modernization request. Below are the summarized responses of the group members.

Electronic Communications

With the technology that has been available, we all believe that the current efforts to identify potentially problematic electronic messages, using the various 3rd party vendors, is an ineffective and inefficient use of time, money and resources. No member could recall significant instances of client related e-communications that raised sales practice issues identified using lexicon or random searches. For large firms, often teams of contractors or non-US based reviewers comb through the results of the lexicon searches without any impactful results. Instead, only if an experienced compliance officer conducts an individual targeted search – possibly a search for an example of an “Internal Use Only” email or document being edited and sent externally – do we find e-communication searches that produce results.

However, with the advent of LLM trained AI tools, it is possible that in the next several years we might have a tool that can better identify problematic sentences, paragraphs or inferences. Even more useful would be such a tool that can review presentations and charts for inappropriate content.

With respect to SMS or text messaging, small firms are at a great disadvantage now in locating vendors that are able to capture and forward messages on both Apple and Android BYOD into email retention or search providers. Solutions that work with Android devices are harder to find.

It is likely that the next challenge will be the next evolution of social media. Those companies will likely require that employees who use them approve access of social media accounts by their employers in order to conduct any type of reviews or communication retention.

In short, regulation is going to trail the development of new technology, leading to a continuation of expense without much in the way of benefit for broker-dealers and investment advisors. Training conducted often and in person will be the best defense.

Regulation Best Interest

Members of our Roundtable believe there is a need for guidance related to recommendations of complex or “alternative” products and expectations regarding reasonably available investment alternatives. This is an area where both broker-dealers and advisors (including advisors to private equity funds) would benefit. For example, one of the areas of concern for compliance members is the percentage or amount of a client portfolio that should be allocated to illiquid

investments. While that percentage may change depending on the dollar amount of that portfolio, for those firms considering soliciting this type of investment for the first time, some guidance, even if only a discussion of issues to consider, would be valuable. Similar concerns exist related to other types of alternative investments, especially interval ETFs and alternative ETFs.

Marketing and Advertising

It is long past the time for FINRA and the SEC to synchronize the rules related to advertising and marketing. It makes absolutely no sense to have divergent requirements for activities that are essentially the same. With the continued focus on fiduciary requirements for retail investment activities at broker-dealers, it only makes sense to develop rules and guidance that are the same for both types of businesses. Never mind that many firms are dual registrants or have dual registered employees of affiliate firms.

With the dynamic changes in technology that both types of firms and their associates will want to employ, it is especially important that rules are synchronized. If AI tools are utilized to draft marketing materials or language with respect to recommendations, it is important that it is clear as to what records must be maintained and for how long, what if any review materials should or must take place and what types of performance information may be included. It is especially important that dual registered firms, or individuals who are dual registered employees have clear, consistent requirements with which they must comply.

Notice 25-05 – Outside Activities

The roundtable members are grateful that the gift limit may finally be increased. The additional proposed changes, especially related to gifts, incidental to business entertainment, personal gifts (weddings, baby showers, etc.), and promotional or commemorative gifts and donations are very welcome.

About the San Francisco Compliance Roundtable.

The San Francisco Compliance Roundtable has members from compliance across broker-dealers and investment advisors up and down the west coast, with the bulk of the members based in the San Francisco Bay Area. The group has been meeting since approximately 2008. We meet in-person and via Zoom, and welcome participants from any location. Contact Harriet Britt at harrietbritt5@gmail.com.

Cordially,



Harriet Britt
Chairperson
San Francisco Compliance Roundtable