

**Identifying Issues and Developing  
Effective WSPs for Remote  
Supervisory Locations and Other  
Remote Locations**

**Financial Markets Association  
Securities Compliance Seminar  
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# Introduction of Panel Members

- Melinda Wolfe, Chief Compliance Officer, Kovack Securities, Inc.
- Carolyn Mendelson, Of Counsel, Clyde Snow & Sessions, P.C.
- Paxton Dunn, Senior Director, Member Supervision Operations, Procedures, and Standards FINRA
- Bill Reilly, Director, Oyster Consulting, LLC



# What We Hope to Accomplish Today

- Discuss the rules and regulations governing and regulators expectations of compliance
- FINRA releases reference remote office and remote locations supervision and examinations
- Discuss a framework for effective WSPs and implementation
- Remote Office and other locations examinations/reviews conducted by regulators and consultants
- Legal and consultant observations



# Regulatory Rules, Programs and Expectations

- **Core FINRA & SEC Rules**

- **FINRA Rule 3110 – Supervision**

- Requires each member firm to establish and maintain a supervisory system, including WSPs, reasonably designed to ensure compliance with applicable securities laws.

-  [FINRA Rule 3110](#)

- **FINRA Rule 3120 – Supervisory Control System**

- Mandates annual testing of supervisory procedures and a summary report to senior management.

-  [FINRA Rule 3120](#)

- **FINRA Rule 3130 – CEO Certification**

- Requires the CEO to certify that the firm has in place processes to establish, maintain, review, test, and modify supervisory policies and procedures.

-  [FINRA Rule 3130](#)



# Firm WSPs, Controls, Technology and Challenges

- **WSPs – Written Supervisory Procedures**
  - Define responsibilities by role/location (home office, hoteling, etc.)
  - Include remote-specific procedures (communications, OBAs, trade reviews)
  - Require periodic updates and testing per FINRA Rule 3110
- **Supervisory Controls**
  - Remote reviews (scheduled/unannounced)
  - Attestations, certifications, exception tracking
  - Escalation protocols and activity documentation



# Firm WSPs, Controls, Technology, and Challenges (Continued)

## Technology & Surveillance

- Email/IM surveillance tools
- Trade monitoring systems and exception alerts
- Remote desktop monitoring, VPNs, DLP tools
- E-signature and digital workflow tools

## Key Challenges

- Off-channel communication risks (e.g., SMS, WhatsApp)
- Inconsistent cybersecurity practices among remote staff
- Ensuring consistent oversight across hybrid models
- Adapting WSPs to reflect remote realities



# Consultants Observations, Testing, and Recommendations

- Common Observations and Issues
  - WSPs/Controls
  - Technology
  - Telework Policy
  - Office Setting
  - Review /Observations
  - Matters Requiring Attention/Best Practices



# Legal Issues and Discussion

- **Books & Records (SEC Rule 17a-4)**
  - Remote activities must be captured and retained in a non-erasable, searchable format
    - 🔗 [SEC Rule 17a-4](#)
  - Chain of Custody Issues
  - Litigation Holds, Acquisitions of Broker-Dealers
  - Non-Cooperation by Registered Representatives for Document Production
  - The home office printer; USB drive; and Registered Representatives who change residences / addresses
- **Data Privacy & Security (Reg S-P)**
  - Protect client data accessed from remote locations
  - Ensure encryption, VPNs, and device controls
    - 🔗 [SEC Regulation S-P](#)
  - The “home office” that is NOT physically isolated in the home
  - Personal and family issues which impact client data security
  - The Maid, Butler, Nanny, Personal Chef, Landscaper, In Laws, & Teenagers – third parties
- **Off-Channel Communications**
  - Risks from use of SMS, WhatsApp, personal email
  - Must prohibit and monitor non-approved platforms
  - Second sets of books through alternative technology platforms





# Legal Issues and Discussion (Continued)

- **Supervisory Liability (FINRA Rule 3110)**

- Failure to supervise may apply to remote oversight gaps
- Remote inspections must meet supervisory standards
  - 🔗 [FINRA Rule 3110](#)
- Solutions/evidence: Records of oversight and testing / approvals of trades; work calendars; check in meetings; regularity of emails between registered persons and their supervisors; compliance training attendance/interactivity; timeliness of email reviews (and follow up); use of heightened supervision; timeliness of U-4 updates; corrective action / disciplinary steps taken with consistency; surveillance of computer; AI recordings / notetakers

- **Discussion Questions**

- Are WSPs addressing mobile and messaging tools?
- How are remote records and reviews documented?
- Is legal collaborating with compliance on remote risks?
- How can firms address situations where registered persons are not abiding by “work from home” compliance policies and standards?
- How could a firm maintain control over business property, proprietary data, books, records, and technology platforms if a registered person refuses to return such items, permit inspection of their residential office space? Would a firm need a court order to retrieve FINRA required and regulated books and records in a situation with a recently terminated registered person or person on probation with a firm?