

**JAN 13 2023**

**INDIANA SECRETARY OF STATE  
SECURITIES DIVISION**

**INDIANA  
SECRETARY OF STATE**

**STATEMENT OF POLICY REGARDING BROKER-DEALER  
BRANCH OFFICE EXAMINATIONS**

The Indiana Secretary of State and Securities Commissioner (“Commissioner”) have determined that it is appropriate and in the public interest to issue this Statement of Policy regarding the requirement for registered broker-dealers to conduct annual compliance examinations of branch offices located in Indiana. As set out further below, the Division’s application of the regulation will allow broker-dealers to satisfy the obligation through remote means such as video conferencing and digital file-sharing.

BACKGROUND AND DISCUSSION

710 Ind. Admin. Code 4-7-6(d)(9) provides that a broker-dealer must conduct annual compliance examinations of all branch offices located in Indiana (“Branch Inspections”). The Securities Division (“Division”) has previously interpreted this regulation to mandate on-site Branch Inspections. Failure to conduct an annual Branch Inspection is treated as a violation of the Indiana Uniform Securities Act, Ind. Code 23-19, *et seq.* and rules promulgated thereunder. Accordingly, the Commissioner may subject a registered broker-dealer who fails to satisfy the requirements of the regulation to disciplinary action.

Beginning on July 13, 2020, following the outbreak of the COVID-19 pandemic, the Commissioner issued a statement of policy providing that the Division would refrain from initiating any administrative action for a broker-dealer’s failure to conduct Branch Inspections of offices located in Indiana during calendar year 2020. This policy encouraged registered broker-dealers with the ability to conduct Branch Inspections remotely to do so.

On January 29, 2021, the Division issued a second statement of policy, indicating that it would resume enforcement of the Branch Inspection requirement, however provided that firms would be permitted to conduct examinations either remotely or on-site for that calendar year in order to satisfy the requirements of the regulation.

On May 4, 2022, the Division issued a third policy statement, again providing that broker-dealers could comply with the Branch Inspection requirement by conducting those exams via remote means.

The Commissioner acknowledges that more businesses have adapted practices, hired employees, and instituted other changes to their compliance initiatives which have allowed them to adapt to working from a remote setting. The Commissioner has concluded that a full and thorough Branch Inspection conducted remotely may allow broker-dealers similar opportunity to monitor practices and ensure regulatory compliance when compared with in-person Branch Inspections.

Accordingly, the Commissioner is issuing this Statement of Policy regarding application of the branch examination requirement indefinitely.

## POLICY

For the reasons discussed above, a broker-dealer registered in Indiana may satisfy the requirements of 710 IAC 4-7-6(d)(9) by conducting Branch Inspections remotely using means such as video conferencing and digital file sharing. The Commissioner encourages any broker-dealer with means to complete the compliance examinations on-site to do so.

As with an on-site Branch Inspection, in order to satisfy the requirements of 710 IAC 4-7-6(d)(9), broker-dealers should endeavor to uncover any practices which might threaten the safeguarding customer funds and securities, reveal any improper maintenance of books and records, and ensure that appropriate supervision of firm personnel is conducted at each branch offices. Accordingly, any remote Branch Inspection must involve evaluation, review, and discussion with an appropriate number of branch office employees to allow the broker-dealer to monitor compliance with applicable regulations and firm policies.

As with on-site Branch Inspections, a broker-dealer should be prepared to provide information to the Division upon request regarding the firm's remote Branch Inspection program.

For purposes of 710 IAC 4-7-6(d)(9), any firm performing an "unannounced" Branch Inspection should take reasonable steps to prevent or limit advanced warning to the branch office in order to avoid opportunity for concealment of noncompliance prior to commencement of the examination.

DATED in Indianapolis, Indiana this 13th day of January 2023.

DIEGO MORALES  
SECRETARY OF STATE

  
MARIE CASTETTER  
SECURITIES COMMISSIONER

