

From: [Robin Rodermund](#)
To: [Comments_Public](#)
Subject: RN 14-37 CARDS
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To: Marcia E. Asquith
Office of the Corporate Secretary
FINRA

Thank you for the opportunity to submit comments to Regulatory Notice 14-37 regarding the Comprehensive Automated Risk Data System (CARDS). Because of the magnitude and scope of CARDS, there are a number of areas where the proposal could be adjusted or improved. Below are areas that should be considered:

1. Cost v. Benefit

I encourage FINRA to conduct a cost-benefit analysis covering potential alternative approaches that may alter some features of the proposal yet still provide FINRA with the ability to conduct analysis and improve examination efficiency.

Another issue to investigate through a cost-benefit analysis is whether, as a result of not including direct business data, CARDS will actually have a complete and accurate picture of a customer's holdings. This drawback will reduce the utility of CARDS such that it may not justify the expense of developing CARDS as proposed.

The sheer amount of data FINRA will have access to, and FINRA's analysis of that data, may result in "false positives" to which broker dealer firms will have to spend time and resources responding. Please provide data and analytics with respect to sweeps, data inquiries, and examination duration so that members and the public can determine whether CARDS has in fact made regulatory oversight more efficient.

Please also consider the cost that broker dealer firms will incur to work on correcting errors or rejected files and to resubmit the information in a timely manner.

Finally, the cost-benefit analysis should directly consider the data security risks involved with CARDS.

2. Data Privacy & Security

FINRA should be applauded for agreeing to exclude PII from CARDS. However, although CARDS will not house PII, the exclusion of PII does not alleviate data security and privacy concerns. The system will still contain account numbers, which can be matched to PII at the firm level. Possessing such important investor information consolidated in one central system makes an attractive target for hackers and fraudsters.

I advocate providing member firms with the Service Organization Controls (SOC) 2 and 3 reports as well as any corresponding data encryption standards.

Additionally, aged CARDS data should be subject to destruction by FINRA on a routine schedule that is disclosed to member firms.

FINRA should make clear and insure through proper agreements and disclosures that, in the event of a data security breach or any such compromise of data, FINRA will be responsible for notifying investors of the breach and for indemnifying firms for any liability incurred as a

result of the breach.

3. Data Standardization

Please remember that to the extent FINRA intends to use CARDS data to identify trends and patterns, the data will be substantially incomplete because it does not include direct business data. Without direct business data, FINRA will lack a holistic view of customer holdings and activity. There is a concern that CARDS will result in an increase in requests or exams based on incomplete information. I expect that including direct business data in future phases of CARDS will be extremely complex and costly.

4. Other Large-Scale Data and Technology Initiatives

Should CARDS be implemented, I do agree with the retirement of INSITE and the Automated Exam Program.

Please continue to analyze existing systems and work with the industry to identify duplicative reporting systems that may be obsolete in light of CARDS. This process should continue through the implementation period. Subsequent to implementation, it would be extremely beneficial for FINRA to analyze its regulatory systems in light of CARDS at regular intervals to identify additional duplicative systems or requirements that may be retired.

5. Impact on Sweeps

Should CARDS be implemented, I am encouraged that FINRA believes that there will be fewer sweeps, more streamlined and targeted examinations, and perhaps even fewer examinations. Should a sweep become necessary despite CARDS, I believe FINRA should commit to providing members with a clear statement as to why CARDS data is insufficient to resolve the inquiry. Furthermore, FINRA should publish more robust information on the number and size of sweeps, the exam cycle, and other relevant information that may be useful in evaluating the extent to which CARDS has lessened or increased burdens on firms.

I appreciate the opportunity to be heard.

Sincerely,



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