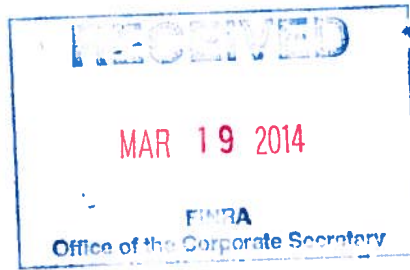




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Beverly A. Byrne
Senior Vice President, Legal
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GWFS Equities, Inc.
8515 E. Orchard Road
Greenwood Village, CO 80111

March 17, 2014

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street
Washington D.C. 20006-1506

RE: Comment on Regulatory Notice 13-42 – Concept Proposal to Develop the Comprehensive Automated Risk Data System (“CARDS”)

Dear Ms. Asquith:

GWFS Equities, Inc. (“GWFS”) welcomes increased transparency in the brokerage industry with respect to the processing and analysis of large quantities of information related to retail customers’ accounts as outlined in Regulatory Notice 13-42 (the “Notice”). However, GWFS urges FINRA to specifically define and identify the types of “retail accounts” brokerage firms to be included in the initial phase of CARDS as well as subsequent phases of CARDS.

Specifically, the information that FINRA seeks in addressing potential red flags of sales practice misconduct (e.g., churning, excessive commissions, pump and dump schemes, markups, mutual fund switching), may be applicable to brokerage firms which deal with individual or retail accounts, but is not applicable to broker dealers which conduct trading at the institutional level only, i.e., defined contribution and benefit plans, or which are not involved in direct sales or solicitation activities.

Introduction

GWFS’ is a limited broker/dealer and its business is comprised of (i) the distribution of shares of registered open end investment companies, collective investment trusts or unit investment trusts, (ii) the sale of variable annuities, and (iii) the business of variable insurance. With regard to variable insurance products sold by GWFS, these products are issued by GWFS’ parent company Great-West Life & Annuity Insurance Company or its affiliated companies Great-West Life & Annuity Insurance Company of New York and Canada Life Insurance Company of America (GWFS acts as either the offering broker-dealer and/or principal underwriter).

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Trading activity for these products is at an “aggregated” or omnibus level in which plan sponsors of certain employer-sponsored retirement plans¹ (“Retirement Plans”) provide investment options for their employee-participants who in turn select their investments directly or through the use of a third-party registered investment adviser. Similarly, trading activity for the insurance company separate accounts for variable insurance is likewise effected at an aggregated separate account level. While associated persons of GWFS provide educational information regarding an employer’s retirement plan or IRA rollover options or are engaged in the sale of variable insurance products, GWFS does not recommend, sell, or otherwise advise these participants on the selection of securities in their respective Retirement Plans. Further, GWFS does not receive compensation which is tied to specific outcomes or patterns of trading activity including for example markups or commissions (other than 12b-1 and related mutual fund distribution fees). GWFS is not able to “switch” Retirement Plan participants from one mutual fund to another or otherwise engage in sales activity related to concerns with account churning. For sales of variable insurance products, oversight is provided at the federal and state insurance levels² and various statutory provisions protect consumers from the activity FINRA otherwise seeks to monitor through the CARDS proposal.³

As such, GWFS believes it, as well as other broker dealers with similar business models, should not be included within the scope of CARDS implementation.

The Notice focuses on operations of retail brokerage firms. For example, the Notice references customer account record information collected pursuant to FINRA Rule 4512 and rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934, as amended (the “Exchange Act rules”). FINRA Rule 4512 includes an exception in situations which involve accounts “in which investments are limited to transactions in open-end investment company shares that are not recommended by the member or its associated persons”. Further, the Exchange Act rules demarcate the books and records requirements between member-brokers who act with discretionary authority over clients’ accounts and those who do not.

Conclusion

In summary, the implementation of compliance with CARDS should focus on the distinction between those “discretionary” brokers who recommend and/or direct their customers’ accounts trading activities versus “non-discretionary” brokers who merely conduct trading activity based solely at the direction of the client. To wit: GWFS strongly urges FINRA to clearly define what type of brokerage firms constitute those engaged in servicing “retail accounts” as set forth in the Notice and to limit all phases of the implementation of CARDS to those discretionary brokerage firms that are actively and substantially engaged in the servicing of these retail accounts. Finally, FINRA should clearly identify specific

¹ Including 401(a), 401(k), 403(b) and 457 plans as well as government entities and their participants.

² The following rules either specifically or generally govern such conduct with respect to the sale of variable insurance products: FINRA Rule 2210 – Communications with the Public; Interpretative Material 2210-2 – Communications with the Public about Variable Life Insurance and Variable Annuities; FINRA Rule 2111 – Suitability; FINRA Rule 2320 – Variable Contracts of an Insurance Company; FINRA Rule 2330 – Members Responsibility Regarding Deferred Variable Annuities; NASD Conduct Rule 3010 – Supervision, and; state insurance laws, rules and regulations.

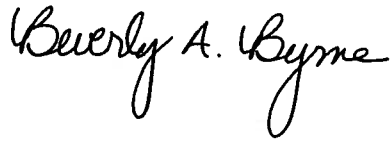
³ For example, GWFS must provide for the return of all sales commission to the product issuer(s) if the variable insurance contract is redeemed within seven business days of acceptance of the contract application, where applicable.

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exemptions from the definition of "retail accounts" to include those firms that trade on an omnibus basis and where neither the firm nor its associated persons make any specific recommendations relating to investments or investment transactions.

We welcome the opportunity to discuss the CARDS concept proposal and present our analysis and conclusions thereto. If you have any questions regarding this comment, please do not hesitate to contact me at (303)737-3817 or my colleague Joel Terwilliger at (303)737-2660.

Sincerely,



Beverly A. Byrne

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