

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington DC 20006-1506

Re: Comments on Regulatory Notice 13-42

Ladies and Gentlemen:

In Regulatory Notice 13-42, you solicited comments on your proposal to establish a Comprehensive Automated Risk Data Systems (CARDS). This letter addresses concerns to the proposal as issued and suggestions.

Subjectivity of Information Requested

While I can appreciate wanting to establish that registered representatives of broker-dealers are recommending suitable transactions to their retail customers, I question how valuable the more subjective data points are, such as investment objectives. Our account onboarding process has a choice among several easy to understand investment objectives and the interpretation of those objectives can be subjective depending on a customer's situation. How would FINRA use that information to evaluate the state of an account and the suitability of the transactions in that account? During a cycle examination and otherwise, this has typically involved a dialogue between regulator and firm about a particular customer or situation's circumstances and is almost never answered on the level of objective statistical analysis.

I would suggest leaving this information off of the standard data collection, or making it flexible enough that it can be answered as the client has answered on our forms. In addition, we are also an SEC-registered investment adviser in addition to a broker-dealer. How would suitability reviews be taken into account for managed advisory accounts held with the broker-dealer?

Availability of Information to the Firm

As the Chief Compliance Officer of our firm, it does occur to me the power that having this information aggregated can have. Is there any contemplation of the firm that is the subject of the data being collected having access to the results of the analytics being run on the data? For example, if you were to perform a risk based approach as I described earlier, it would be helpful to me as a compliance officer if I knew which accounts were being submitted, and under what conditions the data is being submitted. As the compliance officer of a small firm, it would make sense to me to not have to reinvent the wheel if FINRA has access to running these types of analyses and making them available to the member firms as well. Likely, the member firm would be in a position to react much more quickly to a situation and have much more familiarity with the situation than FINRA would. This is not meant as a replacement for supervision, but as a supplement, similar to the FINRA Report Cards available to member firms.

Economic Impact

Currently, much of the information that we would need to input for our clearing firm to comply on our behalf only exists on paper. The time it takes to manually input the suitability information if we needed to provide that would be our major impact. We are currently implementing electronic storage of the information, but this proposal has added some uncertainty to whether we will just have to go back and do it all over again in a couple years when this proposal gets further along. We would likely need to hire temporary help in order to initially comply with this proposal as it is in the notice and could be fairly burdensome given a firm of our size. In addition, should the data formats and data requested not be flexible enough, we could experience a large burden in collective customer's information over again to comply with the new requirements.

Information Available Now at Clearing Firm

Our clearing firm does currently have fields that allow us to enter the information, but considering our accounts are a mix of investment advisory, commissions-based brokerage at a number of custodians, we have up until now opted to keep this information away from the clearing firm. If we do input this information at our clearing firm, the way it is now, we would have to enter the information over multiple screens in a command-line style mainframe interface for each account.

It could be beneficial to have the option to transmit directly to FINRA, but that depends on how the information is transmitted. In the past, FINRA has typically made web interfaces with limited usefulness or expensive data feeds in order to transmit various types of data. This has improved in recent years, but a way needs to be found that a member firm need not be required to either develop its own custom solution or enter in the information by hand one at a time in order for it to be useful. For example, I can export the information available at the clearing firm into an Excel spreadsheet, which would not take much work, in theory, to translate to a spreadsheet that could be uploaded to CARDS.

Updates to Information

I am always weary about giving hard data update timelines for various data fields. The reality is while most of us would like to comply with reasonable regulation; direct communication with the customer is required in order to satisfy data collection requirements. Customers can become unreachable, refuse to send back updated profile information, or any number of things that can make life difficult to comply with hard deadlines. It seems to me that as long as a firm is complying with the underlying rules that govern the collection of the data to begin with and are transmitting that information to CARDS on a timely basis, no further update requirements should be mandated.

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As we have just completed a cycle examination of our firm, I am appreciative of the efforts that FINRA that have translated into tangible efficiencies during the exam process. My only two large worries with this proposal are the potential subjectivity of the data being collected and the costs of implementation. I am also appreciative that FINRA has decided to forego the disclosing of any personally identifiable information as part of this proposal. Thank you for the opportunity to present my comments and I hope they are helpful as you continue to work on your proposal.

Very truly yours,

A handwritten signature in blue ink, appearing to read "C. Anderson", is centered below the closing. The signature is fluid and cursive, with a long horizontal stroke at the end.

Christopher W. Anderson
Chief Compliance Officer