

October 16, 2021

VIA EMAIL: [pubcom@finra.org](mailto:pubcom@finra.org)

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, D.C. 20006-1506

**Re: Request for Comment on FINRA 2021 Cloud Computing in the Securities Industry Discussion Paper**

Dear Ms. Mitchell:

We appreciate the opportunity to submit responsive comments to FINRA's August 2021 discussion paper, "Cloud Computing in the Securities Industry" (the "**Discussion Paper**"),<sup>1</sup> summarizing key findings from FINRA's review. Broker-dealers use Microsoft cloud services for a range of capabilities, and accordingly, Microsoft has broad global experience servicing financial institutions and providing tools to improve administrative, business, operational, and compliance processes.

As acknowledged in the Discussion Paper, the use of new technologies may, and often do, implicate compliance obligations for regulated entities. Any potential regulatory response should balance the need to address regulatory concerns with the industry's need to function efficiently and continuously innovate. Where markets, business operations, and technology are continuously evolving and integrating, a principles-based approach is preferable to prescriptive rules and regulations. A principles-based approach permits regulations to remain forward-looking without the need for frequent revisions, therefore providing a certain level of consistency and stability. Further, a technology neutral regulatory approach continues to be in the best interest of the securities industry consistent with regulatory approaches adopted by the Federal Financial Institutions Examination Council (the "FFIEC"), and other key regulators globally. The FFIEC's recent paper concerning management of third-party relationships is an example of modernization that accounts for, and permits, use of cloud computing. FFIEC acknowledges the need for innovation and takes a risk-based approach to cloud computing and third-party outsourcing.<sup>2</sup>

We support the Discussion Paper and commend FINRA for seeking suggestions and feedback from broker-dealer firms, cloud service providers, industry analysts, and technology consultants regarding cloud adoption and the broader implications of using cloud technology. A

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<sup>1</sup> FINRA, Office of Financial Innovation, Cloud Computing in the Securities Industry, *available at* <https://www.finra.org/sites/default/files/2021-08/2021-cloud-computing-in-the-securities-industry.pdf>.

<sup>2</sup> See Proposed Interagency Guidance on Third-Party Relationships: Risk Management, 86 Fed. Reg. 38,182 (July 19, 2021).

key factor in a technology neutral regulatory approach is the focus on the primary policy goals of rules and regulations, *i.e.*, balancing desired outcomes with modernization. We thank you for the opportunity to participate in FINRA's information gathering process and welcome the opportunity to engage further on these important topics, including providing workshops on cloud to help further educate and learn from each other about how to meet the needs of the industry together. As you may be aware, we recently hosted our regulatory compliance summit, and you may find many of the sessions informative. Please register and access recordings here: [Microsoft Corporate \(eventbuilder.com\).](#)]

We look forward to ongoing engagement and dialogue, and please do not hesitate to contact me for further input and follow-up.

Sincerely,

David Dacoun  
Dave Dacoun



Managing Director

Global Regulatory Compliance, Financial Services Industry Team

Microsoft Corporation.