



DST Systems, Inc.
333 West 11th Street
Kansas City, MO 64105
816.435.1000
www.dstsystems.com

March 2, 2012

Marcia E. Asquith
Senior Vice President and Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington DC 20006-1500

Re: FINRA Regulatory Notice 12-10; FINRA BrokerCheck

Dear Ms. Asquith:

DST Systems, Inc.¹ ("DST") appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") Regulatory Notice 12-10 (the "Notice"). Our comments are in response to questions under the sections entitled Report Design, Format and Content and Commercial Use.

Before responding directly to the questions, it may be helpful to describe why DST is an interested party in regard to this Notice as it may help to bring attention to an industry problem that is not well-defined or understood. DST is the largest provider of transfer agency software and services in the mutual fund and real estate investment trust (REIT) industries and has been providing outsourced branch and representative/advisor-level data management services to product manufacturers in those industries for over ten years. The principal reason such a service is necessary is to maintain accurate, up-to-date information about the financial intermediaries servicing accounts, although there are other compelling reasons as well. This level of maintenance is extremely resource-intensive due to the relatively high annual turnover rate of representatives in the securities industry and the variety of methods used to identify the representative responsible for an individual shareholder account and its transactions. The complexity of dealing with these problems increases when the activity is initiated through clearing firms or in cases where the financial intermediary is trading in "street name" or omnibus with the product companies and performing sub-accounting for its beneficial owners.

Turnover Rates and Representative Identification. The turnover rate for representatives typically hovers between 15 and 20% with rates on the higher end in recent years. This has resulted in an ongoing effort by the product companies to maintain updated, accurate books of record and databases with information on who is servicing their accounts and selling their funds. In addition to keeping up with the constant turnover, product companies have to translate the industry's "alphabet soup" of identifiers or "aliases" on account records and transactions. These aliases are usually a combination of dealer, branch, and representative codes in the case of brokerage systems but are also sometimes unique to a particular recordkeeping system or distribution platform. While the problems this can create are somewhat mitigated in the case of individual shareholder accounts on the transfer agency system which have the identifying codes and representative names updated by industry utilities such as the National Securities Clearing Corporation's ("NSCC") Networking Service², by no means does this address the entire shareholder base. Networking does not address the problem for direct accounts that were set up in the traditional "check and application" fashion nor for certain sub-account records received by the product companies via data transmissions from financial intermediaries.³ This incomplete data set requires that each individual product company store and maintain a cross-referencing database capable of linking identifiers from all of these data sources to an actual

¹ DST Systems, Inc. provides sophisticated information processing and computer software products and services to support the global asset management, insurance, retirement, brokerage, and healthcare industries. In addition to technology products and services, DST provides integrated print and electronic statement and billing output solutions through a wholly owned subsidiary. DST's world-class data centers provide technology infrastructure support for mutual fund companies, REITs, insurance companies, retirement recordkeepers, brokerage firms, banks, mortgage bankers and healthcare providers around the globe. DST is headquartered in Kansas City, MO, and is a publicly traded company on the New York Stock Exchange.

² NSCC Networking is an industry utility for account reconciliation and dividend processing. Through Networking, all customer account-level information – either in an omnibus or non-omnibus environment – can be exchanged and reconciled between fund companies and broker/dealers and other distribution firms, allowing identical information to appear on all parties' records.

³ These data transmissions from financial intermediaries include sub-account and transaction level records exported from their sub-accounting systems and supermarket platforms and delivered via secure file transfer protocols or other types of data delivery services. This shared data is typically used in different types of business reporting and oversight, including compliance with federal regulations such as SEC Rule 22c-2.

representative or advisor, or that they subscribe to a data management service like the one DST provides which takes advantage of the scale provided by an information-sharing consortium model.

BrokerCheck as Solution. The contents of the BrokerCheck summary report pages, used judiciously, could provide the product companies or their service providers with verified and up-to-date access to key information about representatives including basic employer and contact details. The increases in processing efficiency and cost-effectiveness would benefit investors in terms of more accurate account recordkeeping, timely shareholder and representative communication, and faster customer issue resolution. In order to link accounts and transactions to the appropriate representatives, the product companies would still need to cross-reference trading codes and other aliases to those representatives using the CRD number as the unique identifier, but the effort and expense required to do so would be reduced.

Report Design, Format and Content

What changes, if any, should be made to the design, format or content of the BrokerCheck summary report and/or the full detailed report?

Report Design and Format. If the contents of the reports currently provided by the BrokerCheck site were more easily accessible to the product companies and their service providers, their ability to gather and validate information about representatives and advisors would be greatly enhanced. A “low-tech” method might be to make the information available via a simple data export capability, while a more “high-tech” approach could be to make it available via a web services application programming interface (API). In either case, access to the information could be restricted to product companies which are FINRA Members or their duly authorized service providers (see Conditions and Limitations below). Rather than just allowing screen-scraping as the SEC’s Investment Adviser Public Disclosure (IAPD) site does, if FINRA were to provide these “authorized” users with an export or secure web services API, it would enable them to more efficiently maintain an accurate database containing the basic contact information on all of the representatives and investment advisors in the industry. Allowing this type of access would also remove the need to permit screen-scraping technologies altogether, preventing the detrimental effects such technology can have on system performance.

In addition, were FINRA to also provide a “deltas” or changes-only version of the reports, product companies could more easily program to make timely updates to their systems regarding changes to the employer relationship for representatives or advisors who are terminated or transitioning between financial intermediaries. This deltas report could also be used to initiate proactive communications to the financial intermediary the transitioning representative left to determine if a new representative should be assigned to that intermediary’s accounts, or to the financial intermediary the transitioning representative has joined in order to determine what identifier(s) or code(s) will be used by the newly-hired representative going forward.

Report Content. DST would strongly recommend only one change to the content of the BrokerCheck summary reports. That recommendation would be to specify any licenses or professional designations (e.g. Chartered Financial Consultant, Chartered Financial Analyst, or Chartered Mutual Fund Counselor) the representative or advisor holds. As to the design and format changes suggested above, the representative’s full name, CRD number, current employer, contact information, broker qualifications, licensing, professional designations, and registration/employment history would be data points that we would recommend be included in any type of export or data transmission capability. We have noted that the majority of responses to this Notice so far, in both formal comment letters and industry publications, are focused on the disclosure of information about representatives related to scores on securities examinations, disciplinary actions, and reasons for termination. None of these additional disclosures would be data points necessary to address the challenges described above or to realize the benefits outlined below and, as such, we are currently not commenting on their inclusion in the recommended data export or web service API functionality.

Commercial Use

Should FINRA provide BrokerCheck information to for-profit companies for commercial use? What are some of the benefits/concerns of such action? If FINRA were to provide BrokerCheck information to such companies, what conditions or limitations on use should FINRA consider imposing?

Benefits. There are many benefits to both investors and the investment management industry that would be realized if FINRA were to provide the BrokerCheck information for commercial use in the limited and targeted fashion described above. Beyond the obvious cost-savings it would provide to the product companies attempting to keep up with the ever-changing representative population, there are some less visible operational and compliance-oriented challenges that would be minimized by such a provision. In order to report commission and 12b-1 trailer fees accurately, and to ensure the privacy of investors by delivering shareholder statements to the appropriate representative or advisor, account records must also be accurate and up-to-date. Complying with regulatory requirements such as the prevention of market timing and enforcing

prospectus rules on breakpoints or other cumulative discounts is also enhanced when the product companies know the representatives servicing the accounts, giving them more leverage with the financial intermediaries. Trade reconciliation and other types of account servicing issues are also easier to track down and address, presenting operational efficiency and customer service enhancement opportunities to both the product companies and the financial intermediaries.

Concerns. Since there is no non-public personal information included in the recommended data-set, there are no privacy concerns for the representatives or advisors being disclosed. Any unauthorized use of the data can be prevented by the conditions and limitations outlined directly below.

Conditions and Limitations. Given the recommendation that access to this particular set of exported or systematically accessible data only be given to FINRA members or their authorized service providers, it would be reasonable to impose other conditions and limitations on its usage as well. In the case of the low-tech option or, data export, DST recommends that access by only authorized parties be enforced via a secure sign-on process to a section of the site exclusively reserved for downloading the export(s). Additional conditions and limitations outlining the permitted use of the exported data for only the outlined parties and purposes could be accepted in a “check-box” fashion similar to that currently implemented in the existing FINRA BrokerCheck Search capability. For the high-tech option, or a web services API, access could be controlled by providing authorized credentials to only the approved entities.

Should you have any questions about these comments or if I can be of assistance in any way, please do not hesitate to contact me via phone at (816) 435-1000. I am also available to meet with the Staff in person upon request.

Very Truly Yours,

Rick Niedt
Director, Distributor Technologies
DST Systems, Inc.