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April 6, 2012

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

Re: FINRA Regulatory Notice 12-10; FINRA BrokerCheck

Dear Ms. Asquith:

BrightScope, Inc. ("BrightScope") appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") Regulatory Notice 12-10.

First off, we applaud the advancements in accessibility that FINRA will be making in response to the Dodd-Frank Act by unifying search returns across BrokerCheck and the IAPD website, enabling location-based searching, and adding educational content for investors. These are all positive steps for investor protection.

We are also encouraged that FINRA is considering moving further down the road to true transparency as evidenced by this request for comment. We share FINRA's desire to improve investor awareness of the information available through BrokerCheck, and we are eager to help accelerate the process.

Executive Summary

As stated by the SEC, "because selecting a broker-dealer or investment adviser is one of the most important decisions that investors face, information to help them make this choice should be easy to find, easy to use, and easy to understand."¹ The best way for FINRA to achieve that objective, and at the same time increase investor use of BrokerCheck information, is to first make the information available in machine-readable format to be indexed by Internet search engines and used by commercial enterprises. Making the information machine-readable so that it will show up in Internet search results will make the information much easier to find and will drive traffic to FINRA's BrokerCheck. Furthermore, commercial enterprises have already built distribution platforms to make the information available to investors in a user-friendly format, and they should be permitted to access and use the information for that purpose. Opening up the data in this manner can be accomplished at minimal cost to FINRA. FINRA can then turn to improving the user experience on the BrokerCheck website.

¹ See the January 2011 "Study and Recommendations on Improved Investor Access to Registration Information About Investment Advisers and Broker-Dealers" at <http://www.sec.gov/news/studies/2011/919bstudy.pdf>

BrightScope's Recommendations

Increasing Investor Awareness of BrokerCheck Information

As currently structured, an investor can use BrokerCheck to search for the public filings of a broker-dealer or registered rep, one record at a time. The investor will only find the broker-dealer or registered rep if he or she (1) knows or has guessed correctly that the firm or individual is registered with FINRA (at least until search is unified across BrokerCheck and the IAPD website), (2) knows how to spell that firm's or individual's name, or (3) knows the CRD number. If the search is successful, the investor will need to pass through a CAPTCHA to view the results, and will need to repeat the same process for each search. Once a record is found, the PDF report can be tens to hundreds of pages long and does not even include hyperlinks to allow investors to navigate quickly from the table of contents or summary page to the sections they are interested in. While this rudimentary and cumbersome process can be used by an experienced investor, or more commonly an industry insider, to perform a preliminary background check on a particular firm or individual, the user interface and data access tools are inadequate for investor protection. In order to help investors make informed decisions when hiring the individual or firm to whom they may entrust their life savings, investors need to be able to quickly run searches on multiple advisors and view the information in a digestible format. This can be delivered through Internet search engines and for-profit companies that build tools and services for investors.

Internet search engines: For the average investor, if information cannot be found through Google, it might as well not exist. Such is the case with the information available through FINRA's BrokerCheck, which is tucked away in obscurity, as evidenced by the troublesome statistic that only 15% of investors have performed any sort of background check on a financial advisor.² Permitting the information on BrokerCheck to be found in Internet search results is a great way to get the information into the hands of investors and drive traffic to BrokerCheck.

Commercial use: Making the information on BrokerCheck available for republishing and commercial use would ensure that the information is far more widely distributed and used by investors in their decision-making.³ For-profit companies will compete with one another to build powerful research and discovery tools and design decision engines that are easy for investors to find, use and understand. For example, BrightScope already provides investors with free access to tools to conduct searches across the CRD and IARD databases using a variety of highly relevant

² A survey conducted for FINRA found that only 15% of respondents claimed that they had checked a financial advisor's background with a state or federal regulator. See Applied Research & Consulting LLC, Financial Capability in the United States (2009) at

<http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p120536.pdf>

³ This approach to disclosure is already being used to great effect by numerous federal agencies and departments. For example, the SEC has opened up information in the IARD, and the DOL has done the same with information from the Form 5500. To learn more visit <http://www.whitehouse.gov/blog/2012/03/30/informing-consumers-through-smart-disclosure>

criteria, such as location, professional designations, AUM, fee structures, disciplinary history, etc., and then compare brokers and investment advisers side-by-side using these same metrics. These tools distill complicated disclosure data into actionable intelligence and arm investors and plan sponsors with the information they need to make the critically important decisions around selecting a financial advisor.

The more that investors use the publicly disclosed information to make decisions, the greater the incentive will be for financial advisors to keep their information accurate and up-to-date.⁴ More accurate information will not only benefit investors directly as they search for and select a financial advisor, but also indirectly as asset managers and financial intermediaries who rely on BrokerCheck information to execute trades will be able to provide more accurate and timely trade execution for investors (this is more thoroughly explained by Rick Niedt in DST's comment letter).⁵

In short, competition among for-profit companies will spur innovation and ensure that the BrokerCheck information is put to its highest and best use, as cheaply and as efficiently as possible.

Concerns about data currency on third-party websites and an increased burden on FINRA BrokerCheck are both easily addressed. Information hosted on third-party websites can be kept up-to-date so long as FINRA provides open access to the database as follows:

- 1) Make all data available for bulk download from BrokerCheck in a machine-readable format (XML-based is a best practice)
- 2) Provide a complete list of CRD numbers to ensure comprehensiveness
- 3) Publish change logs so that third-party consumers of the data know when information has been added to or updated in an advisor's records

The fear that allowing third parties to access their data in bulk would burden the system and hinder site performance is actually unfounded. If FINRA were to create a bulk download system and provide change logs, it would place fewer burdens on the system than building sophisticated systems to try to keep people away from the data. The money currently spent on anti-scraping protection, CAPTCHAs, and PDF creation could be spent to create a bulk download system that would eliminate scraper traffic to the website and reduce the ongoing costs of running BrokerCheck.

⁴ The easier it is for brokers to update their information, the more likely they are to do so, so it may be worthwhile for FINRA to review and streamline that process.

⁵ The comments submitted by DST can be found at <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/noticecomments/p125828.pdf>



Increasing the Amount of Information Disclosed through BrokerCheck

In the interest of transparency and investor protection, FINRA's stance should always be to disclose more, not less, and let investors and the marketplace decide what information is relevant and what information is not. We would like to see FINRA publish a catalog of the information available in the CRD and open up a discussion on what items merit disclosure.

In the meantime, we believe that it is important for investors to be able to see a broker's educational background and professional designations, because it demonstrates their level of commitment to their trade. Furthermore, if this information were disclosed, brokers would be encouraged to reach for a higher standard. If a broker's professional designation is revoked or expired, they should be required to remove the designation from the CRD system within a certain period of time, so as to avoid misleading investors.

Conclusion

We strongly believe that our recommendations would greatly improve FINRA's information disclosure mechanisms. Most importantly, the cause of investor protection will be best served if FINRA opens up the BrokerCheck information for indexing by Internet search engines and for use by commercial enterprises that have already built the framework to make the data easier to find, use and understand. With FINRA's help, we can deliver true transparency and arm investors with the information and tools they need to make informed decisions about whom to trust with their savings.

Should you have any questions about these comments or if we can be of assistance in any way, please do not hesitate to contact us. We are also available to meet with the Staff in person upon request.

Sincerely,

Oscar Hackett
CFO & General Counsel

Ryan Alfred
Co-Founder & President