

The CARDS system presents FINRA with a proactive tool to aid in the monitoring of client accounts, consistent with its mission of protecting the public from inappropriate or improper behavior of registered persons. Provided there are sufficient safeguards to protect the integrity of non-public, personal data the benefits appear to be positive. One concern would be the implementation of protocols for “fair use” of this tool to avoid this resource being used to unfairly target a specific registered person for either personal or political reasons.

The system will not identify improprieties in a registered person’s OBAs (such as insurance), nor will it identify overt efforts by a registered person to engage in illegal activities (such as the selling of non-registered securities); however, it may help to identify trends or patterns of behavior through flow of funds that can help the industry alert member BD firms of questionable behaviors for further review and investigation.

The costs to the clearing firm to comply may be passed on to member firms (and clients) in the form of higher charges, so this needs to be weighed in the design, development and implementation of this new resource so these are not onerous, nor the technology such that significant programming costs that are not necessary are incurred.

Overall, it appears to be a positive step in the right direction.

John Terry
President



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