True Blade Systems, Inc.
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February 21, 2014

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

Re: Regulatory Notice 13-42 — Response by True Blade Systems, Inc. to FINRA's CARDS Request for Comment

Dear Ms. Asquith,

We are an IT services firm that works closely with Introducing and Clearing Broker-Dealers, helping with data processing and regulatory compliance. One of True Blade's principals has also worked directly with regulatory entities for many years. Finally, in prior years one of True Blade's principals worked as a Registered Rep and later ran his our own Registered Investment Advisor.

Thus we strongly believe that True Blade is unique in that we:

- Have a detailed understanding of the philosophical and business arguments for CARDS, and
- Have a solid understanding of the operational requirements Broker-Dealers would face in order to meet new obligations imposed by CARDS.

True Blade's Comments on the Concept Proposal

While acknowledging the objections that prior respondents have raised, we believe CARDS should move forward for the following reasons:

1. FINRA Examiners in many cases show up "blind" at onsite examinations, with minimal information regarding the Broker-Dealer they are to examine. This is inefficient, makes poor use of the Examiner's time, and reinforces the "us and them" way of thinking in a regulated business that, at its core, is voluntary on the part of its members.

   By providing FINRA examiners with greater insight into the firm being examined, the examiner will be able to perform their work more quickly, and with greater precision and focus, perhaps allowing the relationship to change from being occasionally adversarial to more of a partnership of mutually interested and concerned parties.

2. Search engines like Google and Bing have shown the value of warehousing substantial amounts of information into a single data repository, and it seems reasonable to expect that any regulator should be developing their own private data repository to better understand what is going on in the entities they regulate. *Thus we concur with the RFC that, in the larger and longer-term picture, it is useful for both FINRA and the Broker-Dealers if FINRA is able to profile each firm in an automated manner, compare firms against each other, and understand trends.* We also agree with the prior respondents who brought up numerous and vital security considerations regarding the privacy and security of the data to be submitted, analyzed, and retained under CARDS.

True Blade's Answers to the Specific Questions in the Request for Comments

1. *Are there alternative methods for FINRA to achieve its goals as articulated?*
   To the best of our knowledge, there is no alternative off-the-shelf system that could provide the benefits CARDS would provide to FINRA.

2. *What would be the primary sources of economic impact, including the potential costs and benefits, to clearing, self-clearing and introducing firms in developing, implementing and maintaining the systems that would be necessary to comply with the reporting requirements of CARDS?*
   There are at least two costs that Broker-Dealers would face:

   a. Initial development costs for an internal or hosted system to communicate with CARDS, and
   b. Ongoing, recurring data processing costs to regularly transmit the CARDS' required data to FINRA.

   Regarding the Initial development costs, FINRA would likely provide an API and specifications for how they want to ingest the data being requested from the Broker-Dealers. Clearing and Self-Clearing Broker-Dealers would need to internally develop software and processes to extract this data. This is not an unusual requirement in that Broker-Dealers often have software, such as security trading systems and automated new account entry, which already collect and process some of this data. Thus CARDS is a new requirement, but importing and exporting client, trade, and statement data is not an unusual requirement.

The ongoing data processing costs would likely be performed by a service bureau, such as True Blade or similar companies. Clearing and Self-Clearing Broker-Dealers already have numerous requirements to transfer data electronically; again, CARDS is a new requirement, but for Broker-Dealers, regularly transmitting data on a timely basis is not new or unusual.

What systems would potentially have to be modified and what would be the anticipated costs?
The Broker-Dealers' existing systems would likely remain unchanged, with the possible exception of adding a few new fields. New custom software would need to be written from scratch to interface to the required data from the existing systems. The new software could be developed more quickly by making use of standardized software libraries for extracting, manipulating, and transferring the data to FINRA. The anticipated costs will be different depending on the nature and design of the existing systems and various other factors. It is not possible to make an accurate cost estimate at this time.

Would the primary sources of economic impact differ based on the size of the firm or differences in the business model?
CARDS' initial phase would apply to retail accounts only, so Broker-Dealers without any retail business would not be impacted. Larger Broker-Dealers servicing retail accounts already have staffing and resources, so on a percentage basis, the additional costs imposed by complying with CARDS would be significantly less than for smaller Broker-Dealers servicing retail accounts, who likely have very minimal staffing and resources available to comply with CARDS' requirements. However, many of those smaller Broker-Dealers for retail customers are Introducing Broker-Dealers only, and presumably the CARDS compliance obligations would fall entirely on their Clearing Broker-Dealers.

3. *In addition to systems modifications, what other potential changes to firms' infrastructure would be necessary? For example, would firms need to hire additional personnel or third parties to fulfill examination and reporting requirements?*

   Most firms are adequately staffed for current requirements but are in no way excessively staffed. Additional workload would be generated by CARDS that would have to be met by expenditures for additional resources such as staff, contractors, and service bureaus. Costs will vary by firm and cannot be accurately estimated at this time.

4. *To what extent do firms believe that they would rely upon third parties to fulfill their reporting obligations?*
   In our experience most Broker-Dealers will rely entirely upon third parties (service bureaus) to fulfill their reporting obligations.

   Should FINRA specify supervisory obligations for firms that enter into agreements with third parties to fulfill the firms' reporting requirements related to CARDS?

To the extent that the CARDS API and requirements are clear, that should be all that is required for the firms and their service bureaus to fulfill CARDS' reporting obligations.

How could FINRA use CARDS to reduce firm use of personnel or third parties to fulfill examination and reporting requirements?
CARDS will enable FINRA examiners to do offsite pre-examination analysis of many matters of interest for the Broker-Dealers they are examining. The onsite FINRA examinations can be much more targeted to specific areas of interest, reducing the amount of onsite time by the FINRA examiner, and decreasing the impact of the examination on the Broker-Dealer's personnel and/or third parties assisting with the onsite FINRA examination.

5. *To what extent do introducing firms currently maintain customer profile and suitability information with their clearing firms?*
   We spot-checked with our Introducing Broker-Dealer clients and they confirmed that they do maintain customer profile and suitability information themselves. The information is also entered electronically into the clearing Broker-Dealer's online portal.

   If introducing firms maintain such information with the clearing firm, to what extent do introducing firms use the clearing firms' data fields in providing the information to the clearing firms?
   In some instances there is a 1:1 match between the Introducing Broker-Dealer's new account form and the Clearing firm's online intake portal. However, not all required fields are useful, for example depending on the account type (taxable or non-taxable) and the client type (retail or institutional).

   If the clearing firms' data fields are not used, how do introducing firms provide the information to their clearing firms?
   We believe, in nearly all cases, the introducing firms do use the clearing firms' data fields.

   What would be the potential costs to introducing firms in providing the data elements required by CARDS to their clearing firms?
   We anticipate the clearing firms will need to make minimal modifications, adding a few new fields to their new account portals, in order to be compliant with CARDS. The introducing firm would need to obtain the required data from the customer and fill in the additional fields.

   If the data is not currently maintained in a standardized form, how much effort would be required to standardize the data to ensure comparability?
   We believe the data is maintained in a standardized form that is close to but likely not fully compliant with CARDS' requirements. Some modifications will be required.

   Although CARDS contemplates the transmission of information from clearing firms to FINRA,

would introducing firms find it more efficient and cost effective to transmit the specified information (or portions thereof) directly to FINRA?
No, introducing firms are unlikely to want to have this obligation as it would require them to have systems to duplicate data that they already maintain at their clearing firm.

6. *The information provided to FINRA would include, at a minimum, account, account activity and security identification information. Is this information collected and maintained for all types of customers and products?*
   Yes, this information exists because without it statements and confirms could not be properly prepared via automated processes.

   To what extent is this information currently maintained in an automated format?
   We believe this information is almost universally maintained in an automated format.

   To what extent is the information stored at clearing and self-clearing firms versus service bureaus?
   We believe that nearly all clearing or self-clearing firms prepare their own account statements and trade confirmations, both in electronic and printed form.

7. *FINRA expects that as applicable securities laws and FINRA rules evolve and are amended to include additional books and records requirements, it would revise CARDS' data specification elements to include that information. FINRA is contemplating assessing whether revisions to the data elements would be necessary on a 12- to 18-month cycle. What would be the feasibility of a 12- to 18-month cycle and what could impact that feasibility?*
   A 12-to-18-month cycle is reasonable, provided there is adequate notice and provided that whatever is newly required is consistent with what is already being done.

   What could be the potential economic impact of a 12- to 18-month revision cycle?
   Additional development resources would need to be identified and funded. It is not possible at this time to approximate what those costs will be.

8. *FINRA is considering submissions of the required information to FINRA on a regular schedule (such as weekly or daily) in a format that would permit FINRA to run analytics for a particular day during the period being reported. Should FINRA require a longer or shorter period of time for submission of the information to FINRA?*
   Initially requiring weekly submissions would enable the project to get off the ground with more breathing space. Once the systems are determined to be meeting requirements, the additional costs and implications of moving toward daily submissions could be evaluated and planned for.

   Given the proposed purpose for collecting the information, what would be an appropriate

schedule for submission of the information to FINRA?
We believe weekly submissions are appropriate for the initial phase.

What would be the costs and benefits of a longer versus a shorter reporting schedule for submission of the information to FINRA?
More frequent submissions would increase the overall recurring costs to the Broker-Dealers. The benefit to FINRA of more frequent submissions would have to be addressed internally. It is not possible at this time to estimate what the increased costs to the Broker-Dealer of more frequent submissions would be.

What would be the costs and benefits of requiring different submission schedules depending on the information to be provided to FINRA? For example, what would be the costs and benefits if FINRA were to require monthly submission of account information, but daily submission of account activity information?
From an IT and operations perspective, keeping the same submission schedules for all types of data is desirable. Having all submissions use the same frequency reduces the chances of one submission being out of sync with another submission on a different schedule. Monthly submissions are not recommended. Extended time lapses between submissions result in difficulty fixing problems because the knowledge of how to fix those problems is not fresh at hand.

9. *FINRA is considering a phased approach to implementing CARDS. It envisions that the first phase of CARDS would focus on business conduct for retail accounts. What are the ways in which the first phase could be structured to best achieve the goal of focusing it on business conduct for retail accounts?*
   CARDS' reporting requirements could be constrained to initially collect data only on retail accounts. The obligation to report on institutional accounts could be postponed to a later date.

10. *For purposes of the initial phase of CARDS, would firms be able to clearly distinguish between retail customers and others?*
    Yes.

    What systems changes, if any, would be necessary to allow firms to limit the submission of information to retail account activity?
    Broker-Dealers already have a field in their account data models to specify whether the account is retail or institutional. Filtering the submissions based on this field would be one method of achieving this goal.

    What would be the economic impact on firms, including the costs and benefits of limiting the initial phase of CARDS to the submission of information relating to retail account activity only?

Broker-Dealers who service retail accounts would immediately have the full economic impact of developing systems to comply with CARDS' requirements. Broker-Dealers who service only institutional accounts would presumably not be initially impacted due to their not needing to comply with CARDS' requirements until a later date. Assuming that the exercise of having the Broker-Dealers who service retail accounts comply with CARDS generates a useful base of knowledge, software, and best practices, the future impact on the Broker-Dealers who service only institutional accounts would be less, as they would be able to leveraging existing work.

Is it easier or harder to limit reporting to retail account activity?
This is not a difficult requirement to fulfill.

What other types of account activity should or should not be included in an initial phase of implementation?
No thoughts at this time.

How should historical information versus new accounts be treated under a phased approach?
Requiring the submission of historical trade and statement data is onerous. If possible, submitted information should be constrained to new information and new accounts only. While the system would not contain any history on day one, over time, FINRA would accumulate useful historical information.

11. *Following FINRA's analyses of the datasets firms provide, would it be beneficial for firms to receive the data with performance benchmarks?*
    Yes, this would be beneficial. This would be similar in principle to the TRACE Quality of Markets Report Cards (QMRC).

    If so, should FINRA make that data available directly or through vendors or clearing firms?
    We suggest making it broadly available via a secure FINRA portal, such as the existing Compliance Report Center.

Sincerely,

JRBurgoyne

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