

Ms. Asquith:

Thank you for the opportunity to comment on Notice 13-42, the proposal to develop a Comprehensive Automated Risk Data System ("CARDS"). I applaud the efforts of FINRA to expand customer protection through a more thorough review of customer activity to detect potential "sales practice misconduct"; however, I believe the proposal as drafted will produce results that its proponent did not intend, particularly related to privacy.

I am not surprised to see a significant number of commenters refer to the privacy issues raised by the proposal. There is a significant amount of personal data that might be made available. FINRA recognized that potential and identified it in footnote seven of the Notice: "As FINRA develops CARDS, it intends to consider ways in which to gather account identifying information without disclosing account names or other personally identifiable information." Why would FINRA merely "consider ways" to protect personal information? That should be an absolute requirement, not something that is "considered.". If the activity represents sales misconduct, does it matter if the person's name is Smith or Jones? Or if they live in Kansas or Kentucky? What purpose is served by creating the inference that personal information may be transmitted? And for that matter, why include reference to registered representatives or supervisors? If the activity is "misconduct", how much time does it save to identify the perpetrator electronically? I realize that you will want to be able to identify "repeat offenders", but will it take more than two minutes to determine that after the first phone call? I cannot imagine that FINRA intended to further raise the specter of selective enforcement, but automated identification of the representative connected with the activity could do just that. I believe that the proposal can be amended and can accomplish the original objective without the use of personal information of either clients or brokers.

There are other issues with the proposal related to how the surveillance programs will be developed and to costs, but the privacy issue is the one that I see that could de-rail the project.

Thank you again for the opportunity to comment.

Sincerely,

Chris Melton
Executive Vice President
Coastal Securities