



March 18, 2014

Via: pubcom@finra.org

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

Re: Request for Comment on Concept to Develop the Comprehensive Automated Risk Data System, Regulatory Notice 13-42 (December 23, 2013)

Dear Ms. Asquith:

Thomson Reuters BETA Systems¹ (hereinafter referred to as BETA) appreciates the opportunity to comment on FINRA's Comprehensive Automated Risk Data System ("CARDS"). As a service provider and partner to broker-dealers, BETA is in a unique position to comment on several critical components of CARDS, notably as they relate to the retention and reporting of clearing and introducing firm data. Moreover, as BETA currently supports various regulatory reporting requirements for broker-dealers, BETA has experienced many of the technical challenges that arise during the development, testing and implementation of regulatory reporting technologies.

Overview

CARDS will be a new reporting framework that service providers and member firms will have to support, even though FINRA and the other Self Regulatory Organizations ("SROs") are in the process of developing the Consolidated Audit Trail ("CAT"). BETA believes it would be more efficient to include the data FINRA requires as part of CARDS as CAT reportable data elements, and reported within the CAT framework. This would allow the industry and regulators to continue to direct resources towards the development of CAT and avoid reporting redundancy.

Whether adopted as part of CAT or independently, FINRA must give the industry sufficient time to address the challenges associated with data availability and consistency. In order to understand the issues, FINRA must undertake significant due diligence with the industry prior to proposing

¹ Thomson Reuters BETA Systems is a complete brokerage processing solution for retail and institutional broker-dealers and investment advisers. Beta provides back office processing for 11 clearing broker-dealers and approximately 400 fully disclosed correspondent broker-dealer. In support of its clients, BETA coordinates with exchanges, industry utilities and other third party systems to support the end-to-end processing of broker-dealers' commission and fee-based activity, clearing and settlement, and regulatory reporting.



a rule. Data availability and consistency issues are being discussed as part of the ongoing CAT development, and FINRA could quickly leverage the existing CAT framework to the industry's benefit.

If CARDS is adopted, BETA requests that the compliance date be determined after the release of a final draft of the Technical Specifications. This will enable the industry to identify purely technical issues that are not apparent in the absence of detailed technical design requirements.

Finally, if CARDS is proposed, FINRA should enumerate the systems that will be retired as CARDS is implemented. This clarity will enable firms and vendors to allocate technical development resources and business-as-usual staffing with greater certainty.

I. FINRA should provide technical details of the reporting process used for the pilot to allow firms to consider potential costs and alternative reporting processes.

BETA understands and appreciates that FINRA did not want to prejudice the comments of the industry by providing too much detail concerning the pilot. We also understand that Regulatory Notice 13-42 is a Concept Proposal, and FINRA is engaged in a fact-finding exercise with the industry concerning the best process for reporting. However, BETA requests that FINRA release the technical specifications for the automated reporting pilot or provide a summary of the technology, including transmission method, file size limitations, and other relevant components of the reporting platform. The industry would benefit from access to the technical details, and would be able to provide more thorough comments concerning potential costs, technical challenges, and alternatives to the pilot process.

II. Include CARDS data with the Consolidated Audit Trail being developed by the SRO's pursuant to Exchange Act Rule 613.

Currently, service providers and member firms invest significantly to develop and support regulatory reporting processes. In this regard, the Consolidated Audit Trail represents a unique opportunity for the industry and regulators to review the existing reporting frameworks, identify opportunities for consolidation of existing reporting obligations, and develop the optimal means for reporting customer, account and activity data. Indeed, while CAT cannot replace every existing reporting obligation, it's framework can and should serve as the foundation for many of the reporting obligations, including CARDS.

a. FINRA should incorporate the CARDS concept and requirements into the Consolidated Audit Trail.

FINRA should work with the SRO consortium involved in the CAT development to include CARDS data elements in CAT. CAT represents an opportunity for regulators and the industry to consolidate reporting and adopt more efficient reporting platforms to support the volume of information as well as future expansion and innovation. Moreover, as a result of collaboration between the SROs and the industry, CAT is being developed consistent with the business



lifecycle. That is, information will be reported at various steps with respect to account documentation, orders, routes, executions and allocations. The foundational work has enabled the SRO's to better understand what information is available at each point, and from whom. It should be leveraged to capture the CARDS information.

b. As part of CAT, the SROs and industry are already developing reporting concepts for customer, account and activity data.

There are foundational reporting concepts that are being developed in CAT, and that the industry will invest heavily in developing, that should be leveraged for CARDS reporting. CAT will require firms or their service providers to report customer and account information to CAT. This includes "information sufficient to identify the customer," which arguably could include Date of Birth as requested in the CARDS Notice. Likewise, Rule 613 requires several account-specific attributes to be reported, such as account number, account and customer type. Logically, investment objective for an account could be reported with this data. It would seem more efficient for FINRA to include customer and account information as CAT reportable elements, consistent with the existing CAT requirements, rather than create a duplicative reporting *platform*.

CAT is also developing the concept for reporting activity, including orders, routes, executions and allocations. Consolidating this activity and capturing the elements required under Rule 613 has been one of the more challenging aspects of CAT development. CARDS obviously expands on the type of activity that is presently reportable under CAT, to include all asset movement (i.e. journals, withdrawals, deposits). As this type of activity is not trade related, firms will be challenged to consolidate the activity into a reportable location. It would be more efficient for firms and their vendors to undertake the exercise of identifying the best process to report non-transactional activity once, rather than invest additional resources and capital to build the reporting process twice.

III. FINRA should consider implementing CARDS in phases due to the amount of data and inconsistencies with respect to data that is being requested.

As a service provider to broker-dealers, BETA understands the unique challenges associated with reporting the wide array of data that CARDS contemplates, and the potential volume of information. BETA recommends that if FINRA adopts CARDS, and implements independent of CAT, the implementation should occur in phases, initiated with information that is readily accessible by firms and vendors and consistently defined across the industry.

a. The requirements outlined in Regulatory Notice 13-42 will result in significant amounts of information being reported.

Based on Regulatory Notice 13-42, BETA is concerned that the volume of information will be significant, and may lead to challenges in reporting and managing the volume of data. Absent specifics on the reporting methodology and period, it is difficult to determine whether there



would be any challenges posed by the file sizes relative to the technology used. However, as a point of reference, BETA would report approximately 9.0 million transactions per day for account activity, based on the types of transactions and activity outlined in the Notice. This is significantly more than the number of transactions currently reported for OATS purposes. BETA believes that the volume of information that may be reported under CARDS provides additional incentive to combine CARDS reportable elements with CAT. As CAT is developed, the SROs can consider technologies that will be able to handle the volume of information with a higher degree of stability and less development time versus the requirement to build two systems.

b. FINRA should work with the industry throughout the development process to ensure the numerous data consistency and availability issues are addressed and remediated.

One of the values of a service provider model is that it allows member firms to tailor the system to achieve compliance with rules and regulations in the ways that are most efficient for their respective business models. As a result, third party vendors are uniquely situated to be able to identify the types of scenarios that may be problematic under CARDS. We stress, of course, that compliance with CARDS will fall to the member firms, and potential changes that may be required by some firms to comply with CARDS cannot be understated.

As a service provider with over 30 years of experience, we fully appreciate and understand the complexity of ingesting massive amounts of data and making it intelligent, actionable information. We believe that the pilot program FINRA conducted with a few firms, could not possibly reflect the true magnitude of this endeavor. We urge FINRA to define a long term strategic plan for regulatory reporting and work with the industry to prioritize and develop a solution that meets FINRA's objectives.

We appreciate the fact that CARDS was released as a concept rather than a rule proposal. However, BETA believes that if FINRA plans to continue to move forward with CARDS, it must solicit the detailed input from a wide range of industry participants to clearly understand all of the challenges. The limited details provided in Regulatory Notice 13-42, and fairly narrow scope of the pilot, are insufficient given the potential complexities.

IV. FINRA must ensure that the industry has adequate time to identify potential technical challenges and remediate data availability and consistency issues for effective reporting.

In light of the complexity associated with implementing a reporting framework like CARDS, BETA requests that FINRA release final technical specifications prior to establishing a compliance date for CARDS. As was experienced most recently in the expansion of OATS reporting, some challenges do not become apparent until firms and service providers begin building the technology. Ideally, FINRA would allow the industry a reasonable amount of time to digest the technical specifications, and further to allow for revision to the technical requirements prior to establishing the compliance date. Also, it is critical that FINRA settle on



requirements and only amend technical specifications to the extent necessary to facilitate implementation. The numerous changes that occurred during the implementation of the expanded Electronic Blue Sheet layout made technical development difficult and resulted in last minute code changes that create technology risk for vendors and member firms.

FINRA must allow adequate time for development and end to end testing, especially as member firms work with service providers to obtain and report information. End to end testing cannot occur adequately until all participants have implemented final code changes. The industry could provide more detailed comment on what may be adequate time as additional technical details about CARDS are made available.

Summary

In summary, if FINRA adopts CARDS, BETA strongly believes that the requirements should be adopted as part of the Consolidated Audit Trail. Including CARDS data in CAT would allow the industry and regulators to focus on the development of a comprehensive regulatory reporting framework that can be implemented in a technologically and economically efficient way. If FINRA adopts CARDS independent of CAT, FINRA should continue to engage in additional due diligence with all industry participants prior to releasing a formal rule proposal. This will ensure that FINRA and the industry have a clear understanding of the issues and challenges associated with reporting CARDS data, and a proposed rule can account for these challenges.

Respectfully Yours,

Kyle C. Wootten
Deputy Director – Compliance and Regulatory
Thomson Reuters