

# D I A M A N T

INVESTMENT CORPORATION

*Comprehensive Portfolio Management*

March 14, 2014

Marcia E. Asquith  
Office of the Corporate Secretary  
FINRA  
1735 K Street  
Washington D.C. 20006-1506

RE: Second Comment on CARDS concept proposal – Regulatory Notice 13-42

Dear Ms. Asquith,

Diamant Investment Corporation (Diamant) is providing a second comment opposing the development of a Comprehensive Automated Risk Data System (CARDS). The March 4th FINRA update is only a slight modification. The CARDS proposal will still collect personal customer information that clients provided with the understanding such information would remain private within their financial institution.

CARDS is simply a big data tool designed to better regulate broker dealers than the current extensive audit and review system already in place. CARDS may identify some trades for further review. However, the entire CARDS concept still has major flaws that render it more costly and dangerous than any benefit derived as a regulatory tool. As detailed in my January 17, 2014 comments:

- (1) There is no standard process to collect retail trade information across retail firms, and many brokerage systems have prudently separated and fire walled retail trade information from back office transaction information.
- (2) There will be enormous costs to build or modify back office systems to collect this information for distribution to CARDS.
- (3) No serious effort has been made to consider the cost of implementation by each broker/dealer against the possible benefit identifying trades for further review that are not already being tested internally as part of regulatory compliance at each firm.
- (4) Retail customers will end up paying the enormous and unreasonable costs for compliance with a CARDS system that will provide zero benefit to nearly every retail customer.
- (5) This is an Orwellian, “Big Brother” type of undertaking which creates a very powerful government type of entity that controls a nationwide database containing sensitive customer

information along with every security transaction of every customer. If this point is not crystal clear, I suggest a re-reading of George Orwell's novel "1984".

(6) Massive customer identity theft is still paramount in CARDS despite removing a few customer fields.

Given the modest changes recently made to this proposal, I am very concerned that FINRA has become myopic and fixated on this terrible idea regardless of the dangers to the investing public. In my discussions with our customers about the CARDS proposal, they are very concerned about the invasion of their privacy and their inability to keep confidential information from leaving their brokerage firm. Furthermore, in conversations with senior industry participants, such as Chief Data Officers that are not part of the broker dealer community, they are simply horrified this that proposal will result in massive identify theft, and they are in disbelief our industry would let such a proposal move forward.

To properly understand the problems with CARDS, it is imperative that each FINRA Board Member engage in conversations with members of the investing public, the philosophy and IT departments at institutions of higher learning, principals of brokerage firms, and both "white hat" and "black hat" IT persons with experience in handling and retaining very sensitive data. In addition, Board members should reach out to Target, which is recovering from a massive security breach of confidential data. They should also speak with the National Security Agency, which experienced the theft of vast amounts of confidential information by Edward Snowden.

What really makes CARDS dangerous to the investing public is that in its current form, there will still be customer account identifying information being sent to CARDS. This includes the firm account number, along with client account objectives which may include confidential information about a client's net worth. When the FINRA CARDS system is breached, and it surely will be, there shall be a treasure trove of client information available for the taking. Removing name, address and tax id from CARDS simply adds a second step of getting the account details from an unwitting brokerage firm employee or independent contractor who has access to such basic information. The CARDS system will be a very valuable tool for identity thieves to select specific clients that have sufficient net worth to target, along with the specific brokerage firms that need to be breached to complete their identity theft.

The only conclusion one can make is that CARDS is an IT disaster waiting to happen. This means there is no cost effective approach to implement CARDS, as the total costs will be much larger than what anybody can reasonably determine. Actually, the most cost effective approach would be to complete the review, conclude that customer privacy is paramount in order to retain the current securities business within the United States, and then abandon CARDS in its entirety.

Yours truly,



Herbert Diamant  
President