

VIA OVERNIGHT DELIVERY AND EMAIL

March 21, 2014

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

RE: Regulatory notice 13-42  
Comment on CARDS concept proposal

Dear Ms. Asquith:

Thank you for the opportunity to comment on FINRA's proposed Comprehensive Automated Risk Data System ("CARDS"). Berthel Fisher & Company Financial Services, Inc. ("Berthel Fisher") is a fully disclosed introducing broker dealer that clears through National Financial Services LLC. Berthel Fisher takes its responsibilities regarding compliance and its relationship with FINRA seriously and looks forward to a continued good working relationship with FINRA. Below are some of the reasons that Berthel Fisher is not in favor of CARDS and ask that FINRA reconsider initiating CARDS.

Data Security

The most immediate concern with the collection of data that is contemplated by CARDS is the security of such data. Even though FINRA has amended its original request and will not now seek to gather Personally Identifiable Information, that does not take away security concerns. FINRA will basically have all of an investor's basic financial information. There is extreme risk that the information to be held by FINRA can be accessed by hackers and other bad individuals and entities. It is extremely dangerous to have all that customer information consolidated in one place. To our knowledge, FINRA is not certified to meet the SSAE-16 standards and for it to hold such large amounts of private information is an unreasonable risk to the investing public. We know from recent experience that no system is 100% safe. If FINRA should elect to proceed to collect information on the level they are contemplating, then FINRA should enter into indemnification agreements with the Clearing Firms and Broker Dealers to protect them from any liability they may incur as a result of having to deliver this information to FINRA. Further, we believe, to collect and hold the type of information you are requesting will be a violation of the client's right to privacy.

Duplication of Effort

Several years ago FINRA introduced a system wherein they collect certain client and transaction information directly from the Broker Dealers and Clearing Firms. The information being requested by CARDS is much of the same information that is already gathered electronically by FINRA. It appears much of this is a duplication of effort

already being done. At the time the last system was introduced, we were informed that that system would allow FINRA to gather information prior to examinations so that exam times would be reduced and the time spent at the Broker Dealer premises would be reduced. That has not been true. Our FINRA exam time has not reduced. Rather the time spent on our premises and at our representative's offices has increased. Based on past experience, we believe that this request will also not reduce the exam time. Also, FINRA stated they anticipated CARDS would reduce the amount of information requests going forward. However, it is our experience that the more information FINRA has the more information they request, not less.

#### Standardization

In order for the Clearing Firms and Broker Dealers to provide you the massive amount of data you are requesting, the data will need to be delivered in a standard format which means additional software development so the information is compatible. Broker Dealers already spend a significant portion of their budget on Information Technology just to remain competitive in the industry. It is unrealistic to require Broker Dealers to invest funds, they do not have, in a program that will only benefit FINRA and not benefit them. If this program is enacted, the additional programming/software development costs will ultimately be born by the consumer. It will force Broker Dealers to move away from smaller accounts and the very consumers FINRA claims to be protecting will have to bear the additional cost. Alternatively, investors will simply no longer maintain brokerage accounts with Broker Dealers because of the additional costs.


#### Dwindling number of Broker Dealers

Over the past few years there have been a significant number of Broker Dealers who have gone out of business, particularly following the recession in 2008 and 2009. The additional requirement for Broker Dealers to spend time and funds to comply with another program will continue to force Broker Dealers out of the market. Fewer Broker Dealers will reduce the competition in the market place and in the long run the loss of Broker Dealers will be a detriment to investors and consumers.

Finally, we fail to see a demand or a need expressed by the public for CARDS. It appears this proposed program is something made up by FINRA as a means to gather additional information, which will be held by FINRA and only provide marginal benefit to FINRA. In our opinion the cost of the program, both in time and funds, far outweigh any marginal benefit that may be gained from the program.

Thank you for the opportunity to express our opinion on this matter.

Very truly yours,  
Berthel Fisher & Company Financial Services, Inc.

  
Leslie D. Smith  
General Counsel