

March 21, 2014

Ms. Marcia E. Asquith  
Sr. VP and Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1500

RE: Comments on Regulatory Notice 13-42  
Comprehensive Automated Risk Data System (CARDS)

Dear Ms. Asquith:

Lincoln Investment supports reasonable efforts to preserve market integrity, protect investors and eliminate rogue brokers from the industry; however, we're concerned that the broad ranging initiative described in FINRA's CARDS concept release (RN 13-42) goes too far in pursuit of these important goals.

The CARDS proposal would allow FINRA to automatically collect account, activity, and security identification information from clearing firms on a daily or weekly basis. The purpose of CARDS is to assist FINRA in assessing business conduct patterns and trends in the industry, and to assist firms with their compliance and supervisory programs. Unfortunately, we believe the data security risk, data standardization challenge and cost of CARDS far outweigh the expected benefits.

Specifically, we're concerned about the following:

1. **Data Security:** A database containing clients' trading history and other data will be an extremely attractive target for hackers. Even if the database does not contain their personally identifying information (PII), we are concerned that the collection of account numbers and other data elements will leave our clients' data vulnerable to hackers, thus subjecting our firm to potential liability for privacy violations. This is an unnecessary risk and we would at least expect FINRA to enter into agreements to indemnify firms for any liability incurred due to the negligence on the part of FINRA. Just as our firm is subject to an audit of risk controls, we believe FINRA should also be subject to the Statement on Standards for Attestation Engagements No. 16 (SSAE-16) auditing standards to ensure FINRA has adequate systems in place to protect data security and privacy of information collected through CARDS. There is also a real concern that if FINRA has this enormous data base of all US securities trading activity, that alone is ripe for hacking in order to decipher the trading activity in the market as a whole.
2. **Data Standardization:** In order to simplify and standardize data collection, it would appear FINRA will impose data standards that specify the format of client suitability and other data elements. Since the data currently contained on our client new account form is unlikely to meet these specifications, we are concerned FINRA will require us to repaper all of our client accounts. This would be a very large and costly undertaking that would not benefit our clients. As an example of non-standardization, RN 13-42 makes mention that the initial phase of CARDS would consist of "retail" customer information. Some clearing firms tag retail accounts as those that have a non-retirement tax type; other firms consider retail to be non-institutional accounts. This is just one example of a term that is not standardized throughout the industry.

In addition, we currently do not use our clearing firm's database to house suitability information; rather, we maintain this information in our own internal database, which is then used to run against our suitability analysis programs through a third-party vendor. Requiring data entry into our clearing firm system, which

does not conform to our current data sets, would prove impossible unless the systems were standardized, which we estimate could potentially cost in the millions of dollars due to the resources necessary to begin such an undertaking.

Furthermore, we also “self-clear” a portion of our business in our proprietary retirement plan custodial program. These trades are placed through DTCC/NSCC transmissions and confirmed back by the mutual fund providers electronically. These transaction records are maintained on our internal mainframe and not another clearing firm’s database. We currently spend a good deal of time, effort and money reconciling these transactions as we may often receive erroneous data from the providers such as double postings, incorrect pricing, etc. If FINRA were to require daily transmissions of data, you would most likely receive some level of erroneous data. In addition, it would require significant system capacity to run such large jobs during the work week; therefore, it would be advantageous to request transmissions on no less than a weekly basis, which would provide the ability to run large jobs over a weekend, but ideally we would recommend a longer timeframe to help correct erroneous data. In addition, there should be at least a 48-72 hour delay from trade date to transmission in order to be able to reconcile erroneous data. Generally speaking, it would be better if the periodicity was longer rather than shorter.

Lastly, a portion of our business is handled “direct” with product providers (also known as “check and app” business) and not through a clearing firm. The provider (e.g., mutual fund, insurance company, alternative investment, RIA) maintains a complete record of the transaction data, including such things for example as closing price and share balance, which may or may not be transmitted to our firm electronically. If FINRA intends to use CARDS data to identify patterns and trends, the transactions affected through the direct business channel would be excluded causing the trend analysis to be much less meaningful.

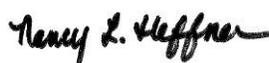
3. Cost: We expect the cost of implementing and maintaining CARDS to be very high. Specifically, it would entail programming costs to build the transmission to FINRA standards (this does not take into account the costs involved in standardization as mentioned in item 2 above), cost to build a transmission to our clearing firm, upgrades and purchases of additional processors in order to be able to transmit this volume of data, costs that our clearing firm may pass along to us for their transmission efforts on our behalf and costs associated with additional staffing resources in order to maintain this initiative, to name a few. Redirecting resources to this kind of initiative means that other initiatives of the firm would be put on the back burner, which would impede our firm’s ability to stay competitive in the marketplace both from an innovation and recruiting/retention standpoint, which ultimately affects our clients. It is estimated that 40-50% of our programmers time currently is spent working on regulatory and audit-related issues. This initiative would increase this number significantly.

The additional costs will inevitably be passed along by the clearing firms to introducing firms and conceivably in turn to our financial advisors and clients. Higher costs have the effect of limiting our ability to service smaller accounts. It would be unfortunate if we had to abandon clients with smaller accounts in order to remain profitable after CARDS is established. Large firms may conceivably be able to absorb some of these costs; however, small firms will most likely be put out of business.

For the above reasons, we believe the CARDS concept proposal is simply unworkable and would require a significant cost-benefit analysis before proceeding further; therefore, we hope FINRA will pursue other means of addressing its regulatory oversight needs.

Thank you for considering our comments.

Sincerely,



Nancy L. Heffner, CRCP®  
Director of Compliance