March 21, 2014

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

Re: NTM 13-42, Concept Proposal to Develop the Comprehensive Automated Risk Data System (CARDS)

Dear Ms. Asquith,

Crescent Securities Group, Inc. (Crescent) welcomes the opportunity to provide comment on FINRA's concept proposal to develop the Comprehensive Automated Risk Data System, otherwise known as CARDS.

While Crescent continually supports FINRA's ultimate stated goal of investor protection and market integrity, the proposal in its current format is severely flawed, and cannot achieve those objectives on an industry-wide basis. This proposal is easily the most sweeping and ambitious proposal FINRA has made since Crescent's inception. We believe the costs associated with producing and implementing such a system greatly outweigh the perceived benefits.

Generally speaking, technology should provide more efficient and more cost effective ways to accomplish things. While this is usually true in the corporate world, it has been our experience as a FINRA member that when new technological initiatives are introduced, overall costs rise. Many smaller broker/dealers are still waiting to realize the significant cost savings and efficiency improvements that FINRA (at that time NASD) touted as they toured the country promoting the merger with NYSE regulation in 2006 and early 2007. Aside from a temporary reduction in fees and a small one-time payment, it is difficult to ascertain from a cost perspective how most small broker/dealers have benefited from this merger. Overall costs since then have moved significantly higher, and as in most businesses these costs have been passed on to the client. Many broker/dealers have been forced out of the industry due to these cost increases. It is difficult to tell how the overall industry is better off. Should CARDS become a reality, logic would dictate it would translate into a significant reduction of FINRA staff. Yet, each time a new technological initiative is undertaken, costs and staff levels rise.

As firms, we are consistently reminded of our responsibility to conduct adequate due diligence in all facets of our business. Crescent believes FINRA needs to conduct further due diligence on this proposal at this time. In the corporate world, one of the first steps that would be taken with a proposal as large as CARDS is to have a thorough and independent third party cost benefit analysis performed. NTM 13-42 seems to leave this analysis up to introducing the clearing firms. Crescent believes the industry would appreciate knowing the opinion of FINRA's recently hired Chief Economist, Dr. Jonathan Sokobin on this matter. The news release announcing his hiring dated April 30, 2013 states that his office will work with the Office of

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General Counsel "…in developing new rules and analyze the costs and benefits of existing and potential rulemakings". We find it odd that in such a sweeping proposal there is no accompanying analysis (at least none made available to the broker/dealer community) from FINRA's own highly touted Chief Economist.

FINRA currently captures and/or has access to an enormous amount of transactional data across our industry through other existing platforms such as the Order Audit Trail System (OATS), the Trade Reporting and Compliance Engine (TRACE), and the MSRB's Electronic Municipal Market Access website (EMMA) to name a few. Does it not make sense to modify some of the existing tools at FINRA's disposal to achieve the objectives of CARDS? As the industry has already borne the expensive costs for the build-out of these platforms, it seems logical they could be modified to some extent to capture the information FINRA seeks. Conversely, should CARDS become a reality, does FINRA propose to alter or eliminate the requirements to report trades to and the reporting fees associated with OATS and TRACE? Retaining multiple systems that capture much of the same information on different market segments is duplicitous, expensive, and does not protect market integrity or investor protection.

As originally proposed, the legality of the collection of specific, sensitive personal information on clients is questionable at best. We appreciate the clarification made by FINRA in their update to NTM 13-42 dated March 4th, 2014. The update states that "…FINRA has concluded that the CARDS proposal will not require the submission of information that would identify to FINRA the individual account owner, particularly, account name, account address or tax identification number". However, Crescent believes the harvesting of ANY sensitive customer information by FINRA to be intrusive in nature, and a clear violation of the trust our clients place in us by providing that information. While it is obvious that such information should be reviewed as part of any regular cycle examination, the ongoing collection of such data on the broadest of scales seems Orwellian in nature. We believe one of the best ways to achieve investor protection is to limit the number of people or entities that has access to sensitive data. It is our belief that the collection and retention by FINRA of such data on an industry wide basis represents an unacceptable risk to the investing public.

FINRA has not outlined their proposed plans regarding the retention of transactional and account data sufficiently in NTM 13-42. How long would FINRA store such information? How can the investing public and the investment community be assured the data is stored safely and securely? Who specifically would have access to the data, and have those people been adequately vetted through background checks? What would be the criteria for such checks, and would they be administered by FINRA or by a qualified non-affiliated third party?

Some commenters have already raised the point that broker/dealers doing business on a direct-way basis would seem to be excluded from the data FINRA seeks to collect under the current proposal. How does FINRA propose to protect the investors of these firms? A quick review of any of the monthly disciplinary actions published by FINRA will show that protection from unscrupulous brokers is also needed for investors who deal directly with mutual fund and insurance companies. Does FINRA propose an additional system to monitor direct-way business?

One of the stated goals of CARDS is to improve the examination process. Crescent applauds FINRA's recent efforts in this particular area, as we believe the changes made to the program over the past years have been beneficial to the industry. Requesting and analyzing information prior to the on-site portion of the exam saves both FINRA and the broker/dealer time and resources. Information gleaned from a particular data set can only tell part of the story. Examiners and coordinators at the district level should be (and usually are) familiar with a particular firms structure, business practices, and compliance history. Would FINRA personnel responsible for identifying perceived "red flags" through CARDS involve the local district offices in order to get a better feel for the firm in question, or would the district office be bypassed? A portion of Crescent's business is in a specific market niche, and our district office is very familiar with our type of business. We find that when requests are received from other areas of FINRA (such as Market Regulation) the requestor often does not have a good feel for our business. Closer cooperation between other departments of FINRA and our district office would most likely give more insight into the perceived "red flag" prior to raising the issue with the firm. We are concerned that should CARDS be implemented as proposed, the number of information requests for firms would avalanche. Some assurance that the people who know the business firms engage in would be involved prior to firms receiving information requests would be reassuring, and ultimately result in cost savings at the firm level.

As FINRA has stated many times, there is no "one size fits all" when it comes to compliance, supervision, or suitability procedures. An investment strategy pursued by a healthy and active 70 year old client with 50 years of investment experience may be suitable, while the same strategy pursued by an 70 year old in poor health with no investment experience would not. Since one of the proposed uses of CARDS is to identify problematic sales practice activity, how would FINRA determine which of these two situations may or may not be problematic? As proposed, CARDS casts an excessively wide net.

The ultimate question regarding CARDS comes to this: Do the perceived benefits outweigh the costs (not only financial) of implementing such a program? While Crescent vigorously supports initiatives to better protect investors, we do not believe CARDS as currently proposed is in the best interest of investors or the industry as a whole. A significant amount of additional due diligence on FINRA's part is needed. The investing public will most likely view CARDS as an invasion of their privacy rather than an effort to protect them. Our industry already has a public image problem due to the failure of multiple regulators to identify and stop massive fraud over the past years. Telling the investing public it is necessary to view every minute detail of their business will only exacerbate that problem, and the industry as a whole will suffer.

Regards,

Russell Travis
Vice President
Retail Operations
Crescent Securities Group, Inc.