March 21, 2014

To Whom It May Concern,

Thank you for the opportunity to comment on the Regulatory Notice 13-42 – Comprehensive Automated Risk Data System. As a general matter, NFP Securities, Inc. (NFPSI) favors the automation and analysis of account activity in an effort to assist regulators and their efforts to identify and mitigate risk.

As the framework is implemented, NFPSI would like to provide the following feedback:

1. In section C., "Data Specifications", FINRA indicates intent to run analytics for a particular day in a multiday upload of data. There is a concern that a single day snapshot will not adequately capture the nature of activity in a client account. Transaction information may not be tied together, and price corrections would not be noted. This could lead to unnecessary inquiries that tax the time and resources of both FINRA and its member firms.

   NFPSI recommends that FINRA consider reviewing more than a single day snapshot of an account.

2. Direct business (also called application way business) is not included in the data proposed to be collected. Without information regarding positions held directly with mutual funds, alternative investment, and variable insurance companies, for example, a complete picture of a client's holdings and the suitability of those holdings may not be readily apparent. Again, this may lead to unnecessary inquiries that tax the time and resources of both FINRA and its member firms.

   NFPSI recommends that FINRA also gather data for these directly held accounts. NFPSI recognizes the lack of standardization in account data provided by these financial institutions and recommends that FINRA consider requiring standardization of data transmitted between direct business vendors and broker-dealers. This would not only facilitate the collection of data for FINRA but would benefit broker-dealers that utilize a variety of direct vendors and must reconcile varying data feeds.

3. NFPSI notes there is no proposal to evaluate all brokerage accounts belonging to an individual or related group. In conjunction with the above discussion regarding direct business accounts, evaluating a single account without information regarding positions held in related brokerage accounts, a complete picture of the client's holdings and the suitability of those holdings may not be readily apparent.

   NFPSI recommends FINRA consider related accounts when performing evaluations of CARD data.

4. NFPSI notes that from an operational standpoint, there are multi-purpose data fields at our clearing broker-dealer that are currently utilized in different fashions by different introducing broker-dealers. These open fields are populated by the introducing broker-dealer with proprietary data that may indicate a payout rate, a specific account type, whether the representative has discretion over the account, or any other number of uses. These fields then feed automated systems that enable introducing firms to ensure accurate reporting, analytics, and compensation. Should FINRA require additional data from the clearing broker-dealer, there is a potential that the clearing firm would have to repurpose those open data fields to do so. The loss of these fields would have significant negative downstream impacts to introducing firms and, likely, clients.

NFPSI recommends FINRA finalize the data to be collected and ensure that there will be no need to repurpose these open fields. In this fashion, the data feed to FINRA is unlikely to disrupt the feed currently utilized by introducing firms.

5. NFPSI notes the potential for FINRA to require information from the clearing firm that they do not currently maintain. This may pose a challenge should FINRA require the introducing broker-dealer to supply data to the clearing firm that has not historically been maintained by the clearing firm. Collecting and supplying that data for all open accounts on file could be a large undertaking.

   NFPSI recommends that if FINRA requires data not currently maintained by the clearing firm, that the data be collected on a go forward basis only as new accounts are established and the clearing firm has a process to collect the data.

6. NFPSI anticipates that with new data available for analysis, there will be an increase in inquiries which have the potential to drive up costs to the firm.

   NFPSI would request that, in a fashion similar to OATS, the information sent to FINRA from the clearing firm be shared with the introducing firm.

7. NFPSI requests more information as to how outliers in a data set would be adjudicated. It is unclear what FINRA will do with the data once received, and how FINRA will partner with their member firms to help them improve their own risk mitigation efforts. This transparency will be especially important in the light of a proposed 12 to 18 month review cycle at which point the data FINRA requests and the manner in which it is parsed may be significantly revised. Member firms such as NFPSI have a strong interest in being aligned and keeping pace with FINRA from a risk and conflict of interest standpoint. This may prove challenging if there are dramatic shifts in focus on a 12 to 18 month basis. NFPSI notes that FINRA will not collect personally identifiable information, which will help mitigate breaches of privacy. Given both FINRA's and member firms' necessarily heightened concerns with cyber security, to the extent FINRA can share how this data will be safeguarded, such a discussion would be welcome.

Thank you again for the opportunity to comment.

Sincerely,

Susanne Denby
NFP Securities, Inc.
SVP, Chief Compliance Officer
512.697.6420 | sdenby@nfp.com