BUCKMAN, BUCKMAN & REID, INC.
Comments on Proposed CARDS Program

Management and Staff of Buckman, Buckman & Reid, Inc. respectfully submit the following in strong opposition to the newly proposed Comprehensive Automated Risk Data System (CARDS), as set forth in Regulatory Notice 13-42. We have examined the available descriptive information carefully, and we have also taken note of the numerous industry submissions to FINRA thus far on this matter, the vast majority of which are overwhelmingly negative regarding the adoption and implementation of CARDS by FINRA.

The primary reasons for the industry's objections, and our own as well, stem from the following concerns:

1) ***Cost.*** There is no doubt whatsoever that there will be significant costs imposed on firms at all levels in connection with the proposed implementation of CARDS. The costs will be generated in the quest for system enhancements and modifications, probably in a series of shock waves, as both clearing firms and introducing firms alike struggle with and choke on successive layers of increasingly burdensome administrative requirements as confusion and chaos dominate the early phases of implementation. It's just a terrible idea, and predictably prohibitively expensive.

2) ***Questionable Effectiveness in Attaining Stated Purposes.*** Noble in its stated purposes, FINRA puts substantial credence in the supposition that huge volumes of questionably relevant data would somehow operate to the benefit of the legitimate interests of investors and the good order of the markets. There is absolutely no basis for that assumption whatsoever. Look at the huge volume of data already collected by FINRA in the course of examination preparation, and the relatively low return experienced in that regard. This does not refer to situations involving investigation of specific identified instances of potential regulatory violations, but rather the broad-based "data-mining" exercises inflicted on firms during the normal course of routine examinations. CARDS would appear to be an over-reaching extension of such unproductive efforts.

3) ***Concerns Regarding Data Collection.*** Several commentators have pointed out the difficulties in providing all the required data in the volume, format, and comprehensive nature anticipated by FINRA. There will likely be very significant differences in compatibility of systems, document formats, and respective corporate practices (depending on the advice of respective legal counsel, etc.), all of which mean decreased efficiency and increased costs up and down the process. These factors will be most pronounced in the early stages of implementation, but they can reasonably be anticipated to be with us for years to come.

4) ***Concerns Regarding Data Security (Threats to Investor Privacy).*** Others have expressed their concerns in this regard in great detail, and FINRA has reacted to these concerns in terms of limiting the specifics of account information which they request, but the risk of privacy violations remains real, and, again, only adds yet another increased cost of maintaining and operating the CARDS system industry-wide.

5) ***Objections to "Big Brother" Concentration of Power to FINRA.*** To many of us, FINRA already exercises what seems at times to be quasi-dictatorial and overly intrusive powers regarding member firms on a regular basis, but the CARDS system would raise the specter of "Big Brother"

to a whole new level. Nowhere in the available information regarding the CARDS system is there a discussion of the limits to be structured into the system itself, and who, if anyone, would oversee the adoption, implementation, and maintenance of the system going forward. Adoption and implementation of CARDS would truly auger in a "Brave New World" of potential regulatory excess.

6) ***<u>Grossly Disproportionate Impact on Small Introducing Firms.</u>*** Perhaps of greatest concern to the smaller firms responding to the request for comments is the hugely disproportionate impact which incurring all of these costs will have on smaller firms. The clearing firms will simply pass on whatever their increases in staffing, systems hardware and software, insurance, etc., etc., to their introducing firms. We all know that the burden of all these new costs will "roll downhill" onto the backs of firms already seriously challenged in terms of ever-increasing business costs including payroll expenses, system maintenance costs, and health care (I have been notably restrained in not making reference to the total fiasco that is ObamaCare.) The point is that the financial burdens of implementing CARDS will fall in a grossly disproportionate way onto the backs of those least able to shoulder them: small firms.

To echo a common theme in virtually all of the comments submitted on behalf of the industry, has anyone conducted a <u>cost-benefit analysis</u> of the proposed implementation of CARDS? It is striking in its absence, and we urge FINRA to delay implementation until a more definite and informed body of information is assembled and processed in this regard. Failure to do so would be a dramatic lapse of standard business practice, not to mention common sense.

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We expressly associate ourselves with the comments submitted on behalf of the below-listed firms in the industry, whose incisive perspectives uniformly represent strong opposition to the proposed implementation of CARDS by FINRA:

Karen Flynn, *Raymond James Financial Services*
John Terry, *High Street Securities*
Jim Biddle, *The Securities Center, Inc.*
Sandy Pappalardo, *PFS Group*
James Alger, *Delta Trust Investments, Inc.*
Larry Kohn, *L.M.Kohn & Company*
Michael L. Kern, *Kern & Company Advisory, Inc.*
Michael Finnan, *Morgan Wilshire*
Jennifer Scholfield, *First Allied Securities, Inc*.

The message FINRA should be gleaning from the vast majority of comments submitted in response to their request is that the industry, particularly virtually every small firm, strongly opposes the implementation of CARDS by FINRA; it should be stopped in its tracks before it wreaks even a fraction of the unintended havoc so clearly forewarned in these numerous submissions.

Andrew Heath
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