



March 21, 2014

VIA ELECTRONIC MAIL

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

Re: Regulatory Notice 13-42: Comprehensive Automated Risk Data System

Dear Ms. Asquith:

Thank you for the opportunity to comment upon the concept proposal to develop the Comprehensive Automated Risk Data System ("CARDS") as set forth in Regulatory Notice 13-42. Cambridge Investment Research, Inc. ("Cambridge" or "the firm") is an independent, privately owned broker-dealer located in Fairfield, Iowa. Cambridge has over 2,500 independent registered representatives throughout the country. Cambridge acts as an introducing broker-dealer and maintains relationships with two national clearing firms. Cambridge's independent registered representatives also conduct extensive non-brokerage business directly with numerous product sponsor companies.

Cambridge acknowledges and appreciates that FINRA's underlying motivation behind the CARDS proposal is investor protection. However, for the reasons outlined below, Cambridge believes there are insurmountable challenges with the proposal and the firm wishes to respectfully object to its implementation.

Data Privacy

Cambridge takes the obligation to protect clients' non-public information seriously. Thus, the firm welcomed FINRA's March 4, 2014 announcement that CARDS will not require the submission of personally identifiable information. However, Cambridge believes that security issues remain and FINRA did not clarify in its March 4, 2014 announcement if CARDS will still possess client account numbers in a centralized system that could be linked to a broker-dealer's personally identifiable client information. If FINRA's intent as stated in Regulatory Notice 13-42 is to more efficiently review individual firm activities, it seems logical that FINRA will need to link CARDS database information back to specific firms and specific clients. No matter where the required CARDS database information is consolidated, it will be a target for illegal cyber-hacking activity. Thus, FINRA will need to implement significant measures in an attempt to safeguard investors' profile snapshots.

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In the event the CARDS database information collected by FINRA is compromised through FINRA's systems, the firm believes FINRA should assume sole liability for any such security breaches and indemnify investors, clearing firms and broker-dealers for any legal or regulatory liability. Any refusal by FINRA to take accountability for such data security breaches would ultimately result in harm to investors, clearing firms, and broker-dealers and would increase costs for all parties.

Additionally, FINRA should be subject to Statements on Standards for Attestations Engagements No. 16 (SSAE-16). FINRA should be required to attest that there are system controls in place to protect data security and privacy for the information gathered through CARDS. An external audit of the CARDS systems and controls should also be required under SSAE-16.

Data Standardization

There are considerable data standardization challenges with the CARDS proposal. Data standardization would be complicated, costly and difficult to ensure. While broker-dealers are subject to books and records requirements, firms are not required to maintain information in a specific format. Data would need to be standardized across all clearing firms and broker-dealers in order to ensure accurate reporting to FINRA.

In addition, data from non-brokerage business conducted directly with product sponsor companies does not filter through the clearing firm's brokerage platforms and, as a result, clearing firms do not possess information on direct business. This aspect was not addressed in Regulatory Notice 13-42 but its impact is far-reaching. Information submitted to FINRA would not be representative of investors' complete profiles or accurately reflective of patterns or trends, if data is obtained solely from clearing firms. Similar to clearing firms and broker-dealers, data is not uniformly reported by direct product companies. Information standardization would again be required. It would be necessary for direct business information to be consolidated, standardized and translated to clearing firms or FINRA. The firm believes FINRA should more closely study this issue and address it prior to implementing CARDS.

Finally, data quality issues may result in the submission of inaccurate information to FINRA. Firms will not have control over the data being submitted to FINRA and will not be able to correct information prior to submission. This could lead to FINRA asking firms to respond to "false positive" data. Further, the volume of data that will be available to FINRA through CARDS and the organization's analysis of that information (some of which could be inaccurate), will likely lead to increased requests. Cambridge does not believe that CARDS will reduce the information requests that firm's receive from FINRA nor increase the efficiency FINRA's examination program.



Infrastructure Implementation Costs

CARDS would require clearing firms and broker dealers to develop new technology and infrastructure for data standardization reporting, and follow up, resulting in tremendous costs. Inevitably, the increased costs to clearing firms and broker-dealers would result in higher expenses for individual investors. Cambridge believes the CARDS proposal would inadvertently harm the very investors FINRA is seeking to protect.

Cost Benefit Analysis

Cambridge requests that FINRA conduct an extensive cost-benefit analysis of the CARDS proposal. As previously identified, significant data standardization and system infrastructures would need to be developed in order to comply with CARDS. FINRA should determine whether a less costly alternative is available. In addition, FINRA should explore whether CARDS will have enough data for examination and accuracy without information from non-brokerage business conducted directly with product sponsor companies. The cost-benefit analysis should also take into account the data security risks associated with the CARDS system.

Thank you for your consideration of Cambridge's comments.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Anderson", written over a horizontal line.

Thomas Anderson
Chief Compliance Officer

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