

December 18, 2014

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

RE: Comprehensive Automated Risk Data System (CARDS)

Dear Ms. Asquith,

I am the Chief Compliance Officer, Chief Operations Officer and the AML Officer of a dually registered broker/dealer which is wholly owned by a fraternal insurance company. I appreciate and applaud any effort to protect our clients. We work very hard to assure reasonable compliance with all applicable federal and state rules, regulations and laws, which these days are no small task.

I am a supporter of rules that are reasonably designed to provide investor protection and still allow for business to turn a profit. After all I know of no one that would go into debt to help others and call it a business.

The CARDS proposal is very ambitious in scope and scale. Accordingly, FINRA began the process with a request for comments on a concept proposal. Several firms and individuals have commented on the concept proposal. FINRA has taken steps to listen to the industry's comments about CARDS, and has used industry feedback to improve the proposal. I believe there is still room to improve the proposal and eliminate unintended consequences which will put an undue economic burden on broker/dealers like us.

FINRA's use of CARDS data has the potential to encroach on the responsibilities of my Compliance Department. This could result in duplicative and /or additional layers of regulatory oversight that will not provide additional investor protection but will increase the cost of compliance to the firm. Specifically, FINRA's analysis of CARDS data could lead FINRA to second-guess the work of our firm's

Compliance Department, thus resulting in numerous requests to provide an explanation or additional information. I am encouraged that FINRA has stated that it does not intend to duplicate the activities of firm Compliance departments however; I would like additional assurances that FINRA will not utilize CARDS data in this way. While I am not excited about this new rule I believe that investor protection might be better served if FINRA would provide CARDS data and analytics to firms to **assist** them in improving firms' supervision capabilities.

I encourage FINRA to conduct a cost-benefit analysis:

- covering potential alternative approaches that may alter some features of the proposal yet still provide FINRA with the ability to conduct analysis and improve examination efficiency.
- as to the impact of not including direct business data. CARDS will not have a complete and accurate picture of a customer's holdings. This drawback will reduce the ability of CARDS as stated in the proposal, such that it may not justify the expense of developing CARDS as proposed.
- of the sheer amount of data FINRA will have access to, and FINRA's analysis of that data, may result in "false positives" to which firms will have to spend time and resources responding. I would ask FINRA to commit to provide data and analytics with respect to sweeps, data inquiries, and examination duration so that members and the public can determine whether CARDS has in fact made regulatory oversight more efficient.
- as to the cost firms will incur to work on correcting errors or rejected files and to resubmit the information to CARDS in a timely manner.
- that will directly consider the data security risks involved with CARDS.

Data Privacy & Security need to be assured.

- I applaud FINRA for agreeing to exclude PII from CARDS. However, although CARDS will not house PII, the exclusion of PII does not alleviate data security and privacy concerns. The system will still contain account numbers, which can be matched to PII at the firm level. FINRA will possess important investor information consolidated in one central system, making it an attractive target for hackers and fraudsters.
- I encourage FINRA to provide member firms with the Service Organization Controls (SOC) 2 and 3 reports that it stated it would obtain prior to the CARDS implementation date as well as any corresponding data encryption standards.
- Additionally, aged CARDS data should be subject to destruction by FINRA on a routine schedule

that is disclosed to member firms.

- I believe that FINRA needs to make clear and insure through proper agreements and disclosures that, in the event of a data security breach or any such compromise of data, FINRA will be responsible for notifying investors of the breach and for indemnifying firms for any liability incurred as a result of the breach.

Because CARDS, initially, will not capture data from firms that engage in direct business with product providers FINRA will not have a holistic view of customer holdings and activity. My concern is that CARDS will result in an increase in requests or exams based on incomplete and therefore, inaccurate information. In our case, to the extent FINRA intends to use CARDS data to identify trends and patterns, the data will be substantially incomplete because it does not include a major portion of our business.

I compliment FINRA for stating that it will retire INSITE and the Automated Exam Program once CARDS is implemented and I encourage FINRA to continue to analyze existing systems and work with the industry to identify duplicative reporting systems that may be obsolete in light of CARDS. While this process should continue through the implementation period, it would be extremely beneficial for FINRA to analyze its regulatory systems in light of CARDS at regular intervals to identify additional duplicative systems or requirements that may be retired.

I commend FINRA for stating that one of the goals of the implementation of CARDS will be to reduce the burden on firms by resulting in fewer sweeps, more streamlined and targeted examinations and perhaps even fewer examinations. This is a goal I hope that FINRA can manage and attain.

If a sweep becomes necessary despite CARDS, I request that FINRA commit to providing members with a clear statement as to why CARDS data is insufficient to resolve the inquiry. Furthermore, FINRA should publish more robust information on the number and size of sweeps, the exam cycle, and other relevant information that may be useful in evaluating the extent to which CARDS has lessened or increased burdens on firms.

In conclusion, I understand the premise of the CARDS proposal. I just fail to see how it can possibly accomplish the stated goal without capturing all securities information about a client. I request that you continue to work

with the industry to create a reasonable rule and resulting system that will take a holistic approach and actually protect the investor and benefit the member firms.

A handwritten signature in cursive script, reading "Pamela S. Fritz". The signature is fluid and elegant, with a prominent initial "P" and a long, sweeping underline.

Pamela S. Fritz, CCO/COO