



December 15, 2014

By Electronic Mail ([pubcom@finra.org](mailto:pubcom@finra.org))

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

**Re: Regulatory Notice 14-37 -- FINRA Requests Comment on a Rule Proposal to Implement the Comprehensive Automated Risk Data System**

Dear Ms. Asquith:

On December 1, 2014, the Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> filed a comment letter with the Financial Industry Regulatory Authority (“FINRA”) on FINRA’s proposal to implement the Comprehensive Automated Risk Data System (“CARDS”). SIFMA is supplementing its December 1, 2014 comment letter with the attached investor survey.

If you have any questions or require further information, please contact the undersigned at (202) 962-7373 or Kevin Zambrowicz, Associate General Counsel & Managing Director, SIFMA, at (202) 962-7386 ([kzambrowicz@sifma.org](mailto:kzambrowicz@sifma.org)).

Very truly yours,

A handwritten signature in black ink that reads "Ira D. Hammerman". The signature is written in a cursive, flowing style.

Ira D. Hammerman  
Executive Vice President and  
General Counsel

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<sup>1</sup> SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, please visit [www.sifma.org](http://www.sifma.org).



SECURITIES INDUSTRY AND FINANCIAL  
MARKETS ASSOCIATION INVESTOR SURVEY

DECEMBER 15, 2014



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## METHODOLOGY

- This 14 minute [survey](#) was conducted by Harris Poll on behalf of SIFMA between November 18 and 24, 2014. A total of 1,103 survey responses were collected among:
  - US adults age 18+;
  - With more than \$100k in investable assets;
  - Primary or joint financial decision-maker for their household;
  - Work with a financial professional who helps manage their finances; and
  - Not employed in advertising, public relations, financial services, government, or market research.
- All interviews were collected online. Total data were weighted using targets for education, age by gender, race/ethnicity, region, and household income to bring them into line with the general population of US residents age 18+ where necessary. Propensity score weighting was also used to adjust for respondents' propensity to be online.
- The sample is based on those who agreed to participate in our panel therefore no estimates of theoretical sampling error can be calculated.
- Percentages were rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.

# EXECUTIVE SUMMARY

**Over two-thirds of investors oppose CARDS initially after being introduced to the concept. After hearing more about the CARDS program, the level of opposition goes up to four in five.**

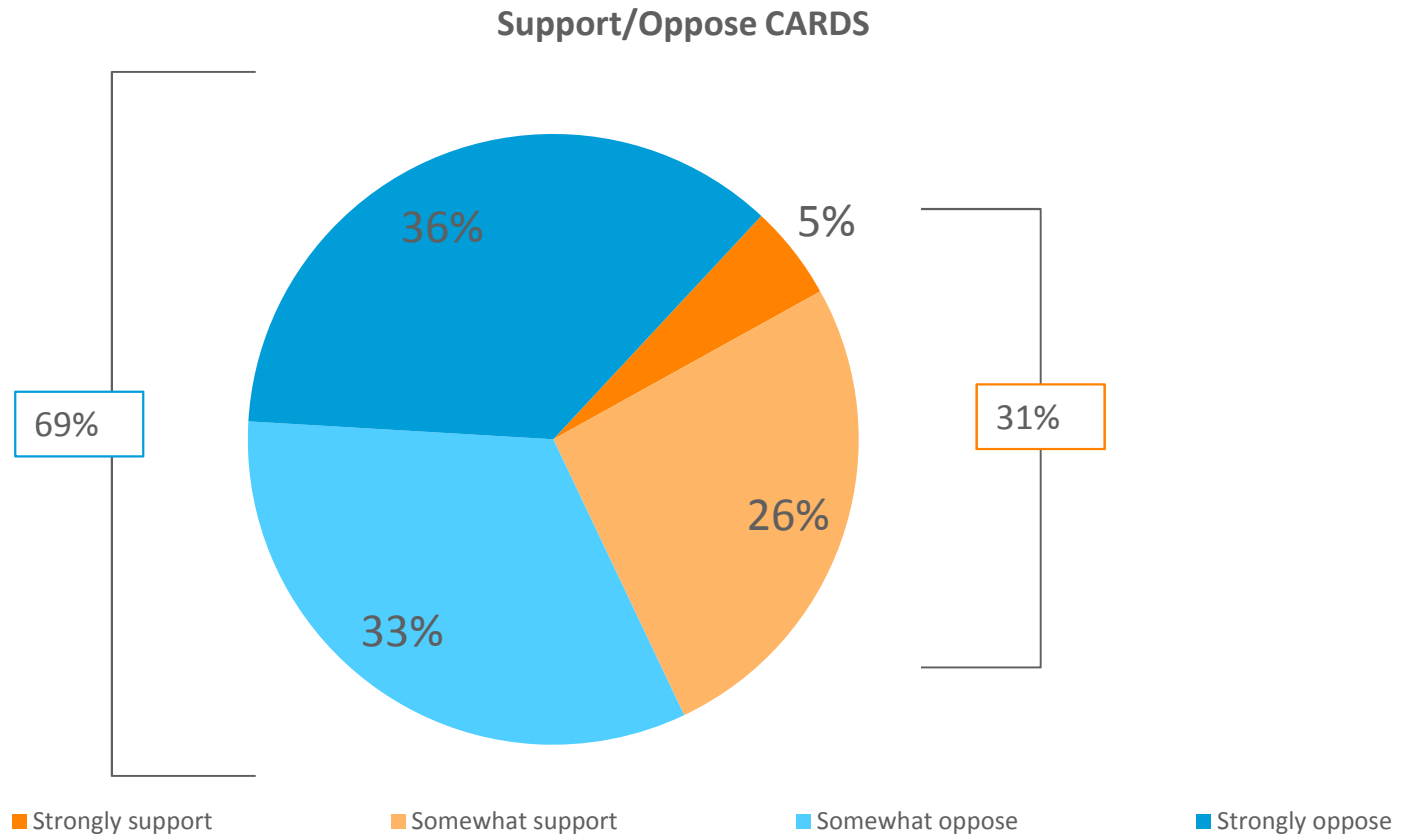
- Over two-thirds (69%) of investors initially oppose CARDS after reading a brief and balanced description of the proposed program. After investors read the different concerns that have been expressed regarding the CARDS proposal, that number in opposition to CARDS jumps to 80% (strongly/somewhat oppose).
- Additionally, seven in ten (71%) investors agree that the benefits of CARDS do not outweigh the cybersecurity risk (71% exactly/somewhat agree with “Jones” - Jones says the risks of FINRA’s proposal outweigh the benefits, even if the data is kept anonymous, because it will create a new singular location that hackers and cyber terrorists can target, putting investors’ account activity, balances and money movements at risk.)
  - After reading more about the challenges presented by CARDS, that number in opposition increases to 78%.
- When introduced to more specific and nuanced information about the risk the CARDS system poses to privacy and security, investors agree the risks are high and they trust their financial professional to better protect their interests.
  - Regarding cybersecurity risk, 82% of investors strongly or somewhat agree with the statement that “the protection offered by FINRA tracking my anonymized investment activity is not worth the risk of having all of my investment activity stored in one place.”
  - Regarding privacy, 80% strongly or somewhat agree with the statement that “the protection offered by FINRA tracking my anonymized investment activity is not worth the risk to my privacy.”
  - 86% strongly or somewhat agree with the statement that “my financial professional is best suited to run and maintain their own database to track this type of information. Securities firms have a responsibility to their clients to protect their personal and financial information.”
  - Only 13% of investors trust the government the most to keep their financial information secure compared to 87% of investors who trust their financial professional or firms to keep their personal financial information safe.



INVESTORS' INITIAL  
AWARENESS/OPINION OF CARDS

# STRONG MAJORITY OPPOSE CARDS SYSTEM

Nearly seven in ten investors oppose FINRA’s proposal of the CARDS system.



**Base: All Qualified Respondents (n=1103)**

Q815 FINRA has proposed the creation of a database that will require its member firms (approximately 4,000 broker dealers) to provide a monthly report of customer account activity, balances and money movements in a standardized and automated data base called the Comprehensive Automated Risk Data System (CARDS).

While the customer’s name and other personal information (such as Social Security Number and tax identification number) will not be provided and will be kept anonymous in this report, the actual details of the account activity, balances and money movement will be provided to FINRA.

Based on what you know today, would you say you support or oppose the system?

# MAJORITY OF INVESTORS FEEL RISKS OF CARDS OUTWEIGH BENEFITS

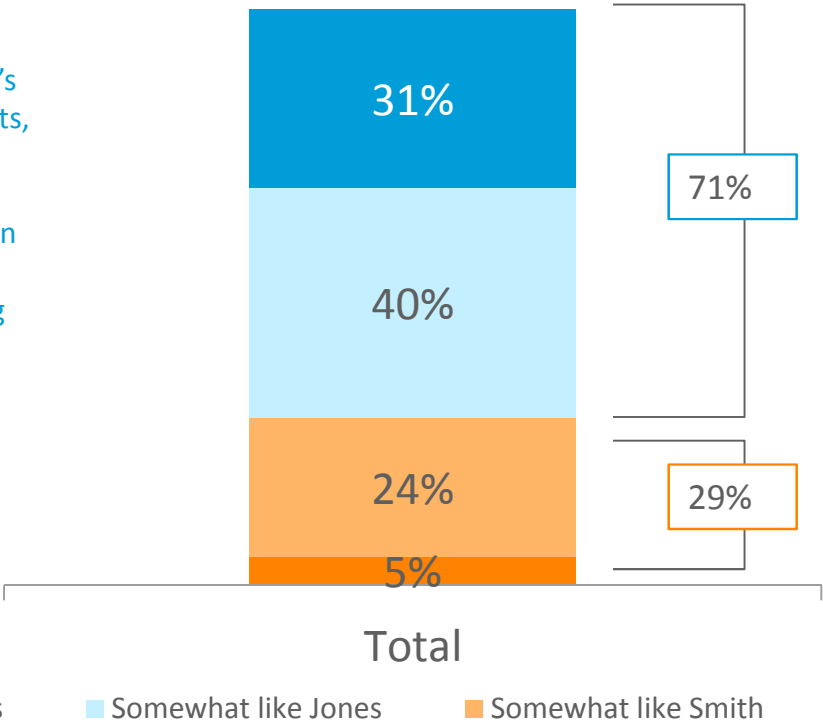
Nearly three quarters of investors agreed with a statement that cited that the risks of FINRA’s proposal outweigh the benefits due to increased security risks.



Jones says the risks of FINRA’s proposal outweigh the benefits, even if the data is kept anonymous, because it will create a new singular location that hackers and cyber terrorists can target, putting investors’ account activity balances and money movements at risk. (CARDS OPPOSITION)



Smith says the benefits of FINRA’s proposal outweigh the risks, as it would protect investors by giving FINRA an industry wide view of all account activity, balances and money movements, making it easier to collect and manage data from all the firms and identify trends that are harmful to investors, leading to swift and more responsive action. (CARDS SUPPORTERS)

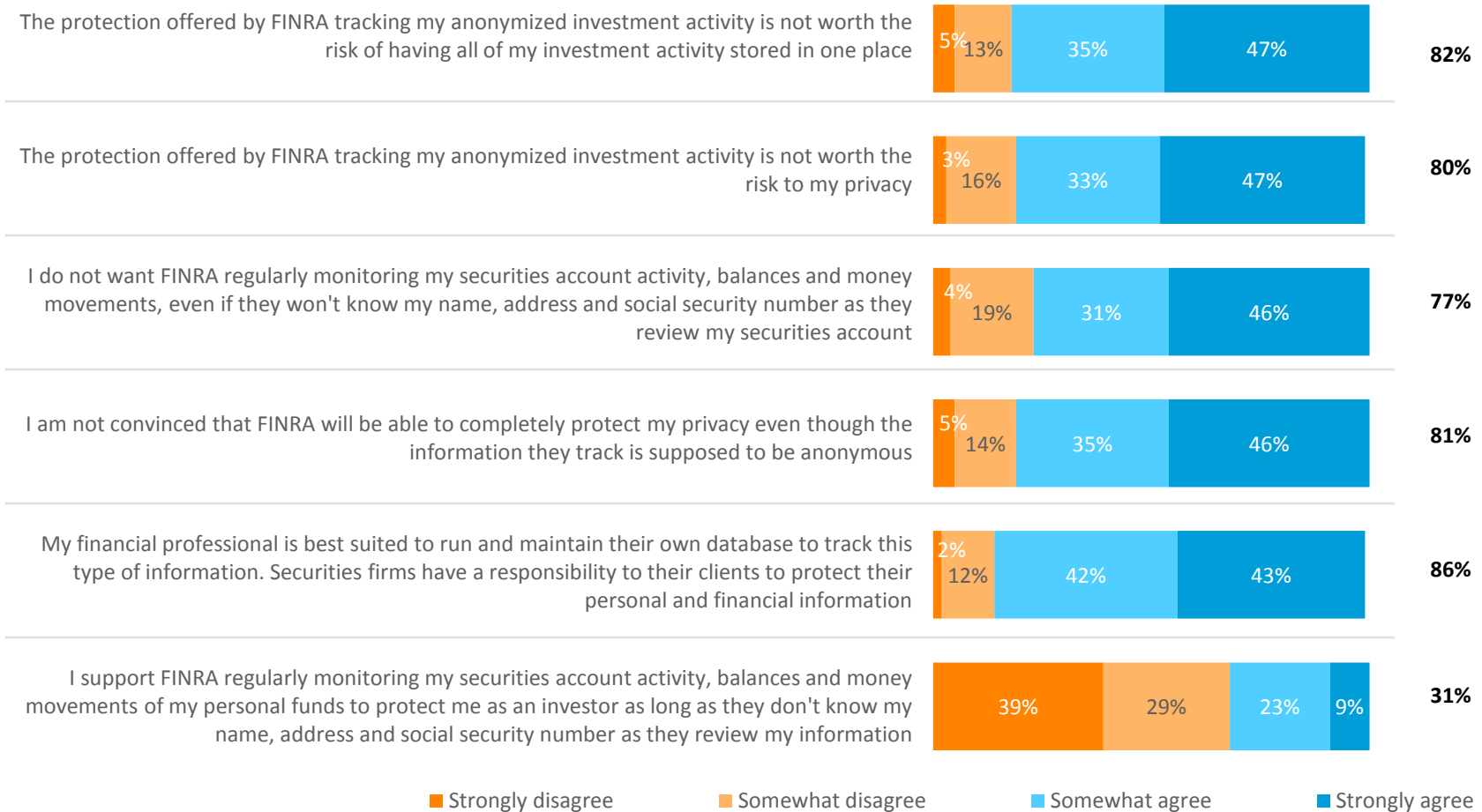


Base: All Qualified Respondents (n=1103)  
 Q825 Which of the following is closer to your opinion?



# STRONG MAJORITIES OF INVESTORS OPPOSE CARDS

More than three-quarters of investors agreed with statements that do not favor FINRA’s CARDS proposal. An overwhelming majority disagreed with a statement in support of FINRA’s regular monitoring of securities accounts.



Percentages were rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.

**Base: All Qualified Respondents (n= 1103)**

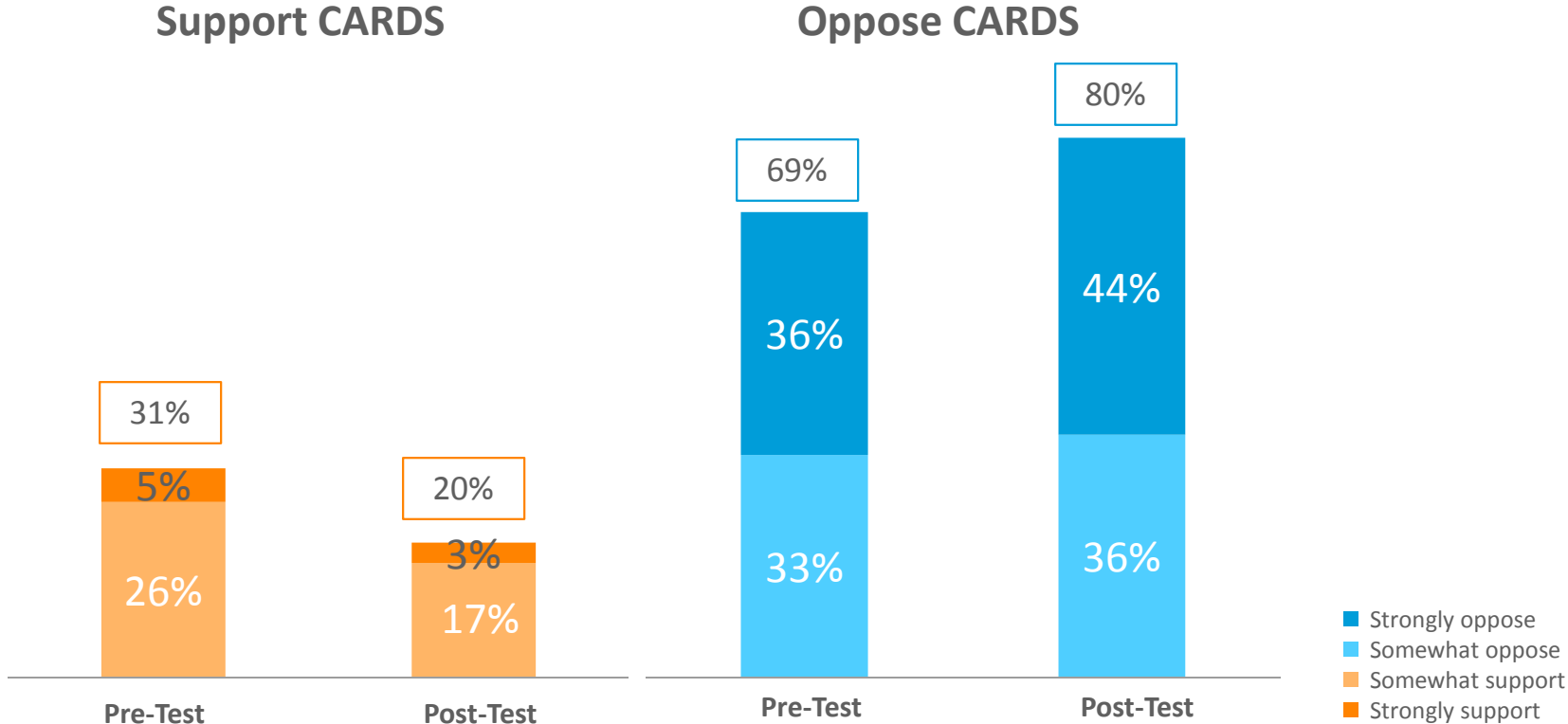
Q835 Please read the following statements and indicate if you agree/disagree with each statement.



INVESTORS' OPINION OF CARDS  
AFTER BACKGROUND EXPLANATION

# POST-TEST INCREASE IN CARDS OPPOSITION

After investors heard more about the CARDS proposal, opposition to the system increased along with a decrease in support.



**Base: All Qualified Respondents (n=1103)**

Q840 Now that you have heard more about this proposal, would you say you support or oppose the Comprehensive Automated Risk Data System (CARDS)?

Before this question was asked, respondents were shown a description of the CARDS database, shown the following Smith/Jones statement, and descriptions about possible concerns with the system (as shown in the full questionnaire).

Smith says the benefits of FINRA’s proposal outweigh the risks, as it would protect investors by giving FINRA an industry wide view of all account activity, balances and money movements, making it easier to collect and manage data from all the firms and identify trends that are harmful to investors, leading to swift and more responsive action.

Jones says the risks of FINRA’s proposal outweigh the benefits, even if the data is kept anonymous, because it will create a new singular location that hackers and cyber terrorists can target, putting investors’ account activity balances and money movements at risk.

# STRONG MAJORITY OF INVESTORS AGREE THAT CARDS RISKS OUTWEIGH BENEFITS

Nearly eight in ten respondents agree in the post-test that the risks of FINRA’s CARDS proposal outweigh the benefits.



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**(CARDS SUPPORTERS)**

**Base: All Qualified Respondents (n= 1103)**

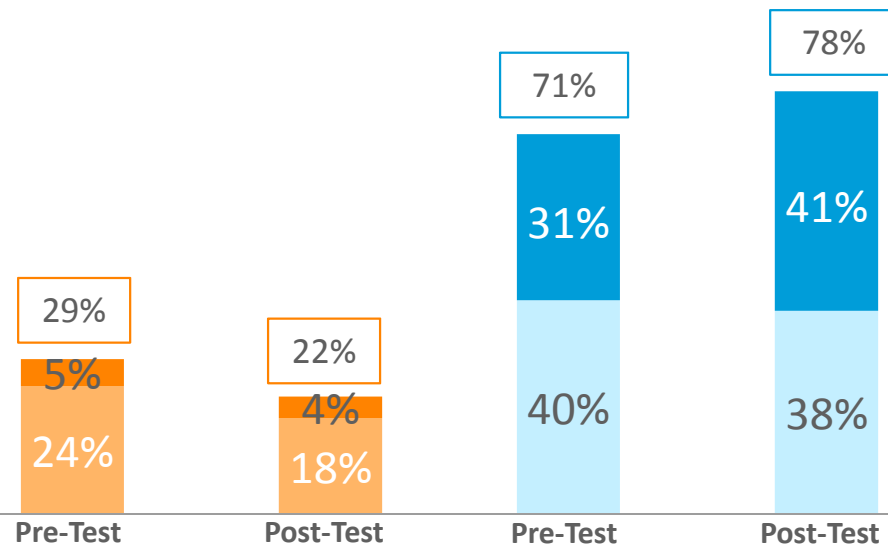
Q845 Now that you have heard more about this proposal, you may have had a change in opinion. Which of the following comes closer to your opinion?

Q840 Now that you have heard more about this proposal, would you say you support or oppose the Comprehensive Automated Risk Data System (CARDS)?

Before this question was asked, respondents were shown a description of the CARDS database, shown the following Smith/Jones statement, and descriptions about possible concerns with the system (as shown in the full questionnaire).


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**(CARDS OPPOSITION)**

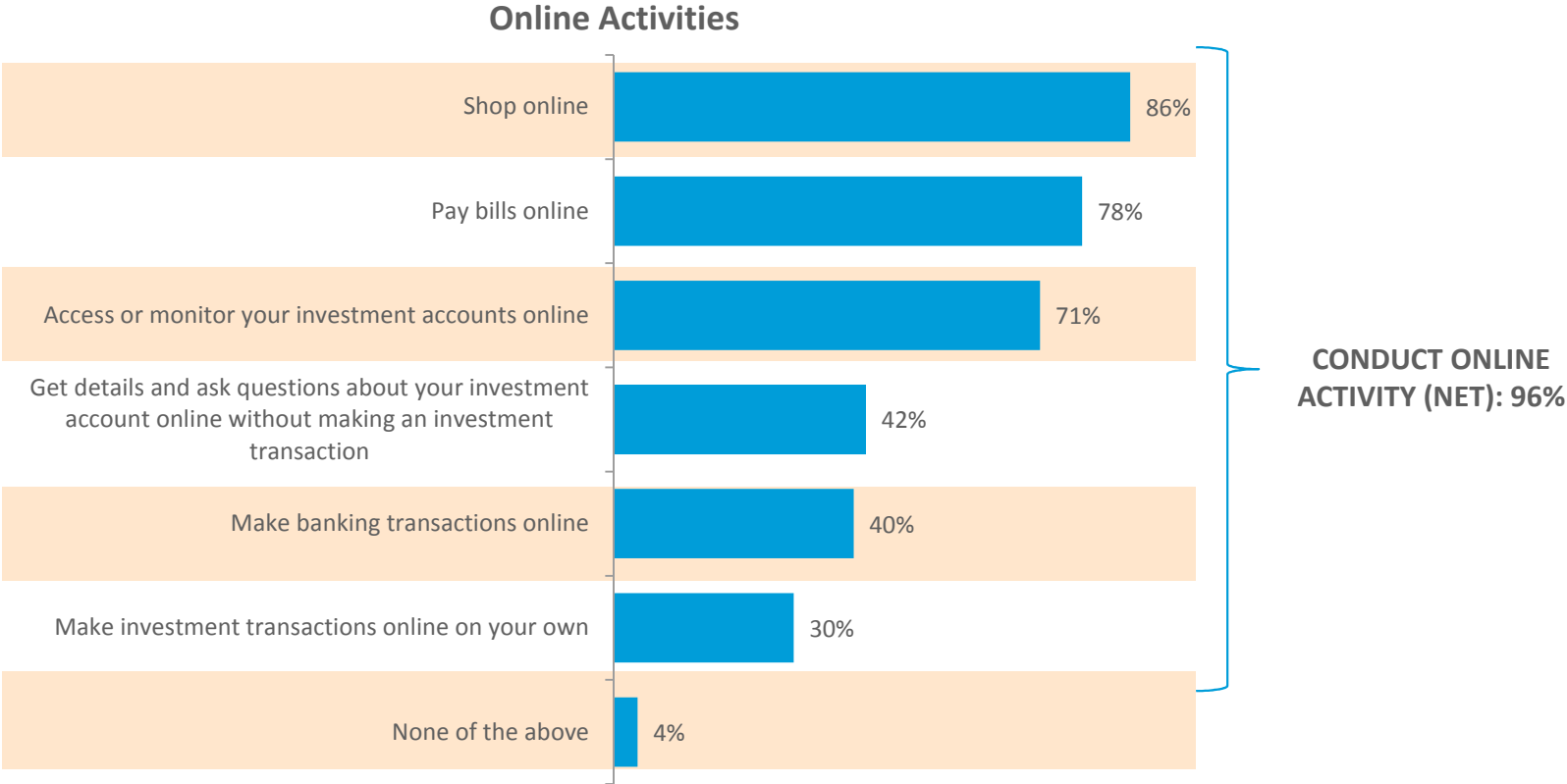
- Exactly like Jones
- Somewhat like Jones
- Somewhat like Smith
- Exactly like Smith



INVESTOR BEHAVIOR AND THOUGHTS  
ABOUT SECURITY OF PERSONAL FINANCIAL  
INFORMATION

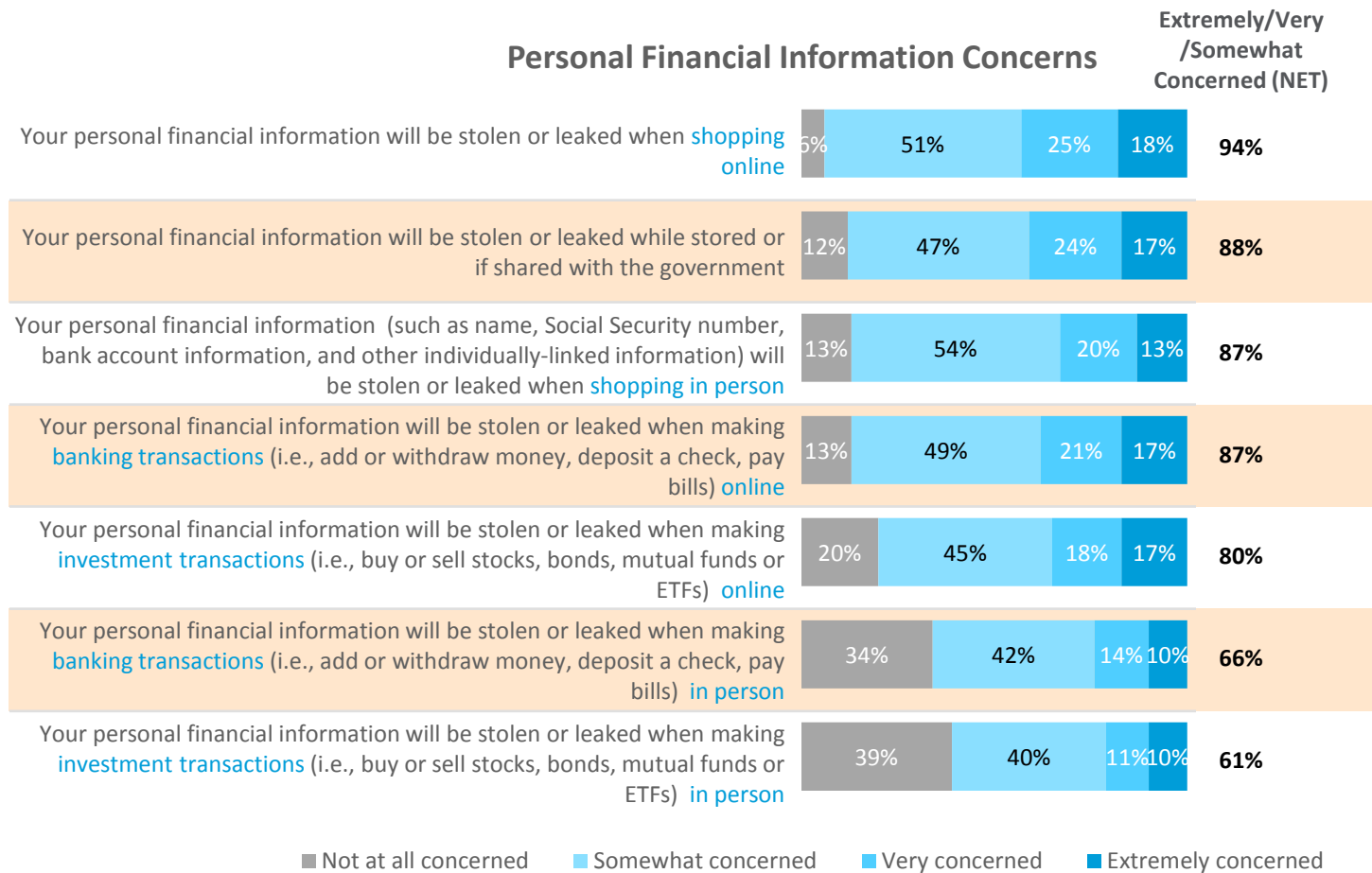
# MORE INVESTORS GO ONLINE TO ACCESS THEIR ACCOUNTS THAN TO MAKE INVESTMENT TRANSACTIONS

Online activity is common among investors with online shopping being the most common online activity listed. Paying bills online was a close second and more than nine in ten investors participate in any of the online activities listed.



Base: All Qualified Respondents (n=1103)  
Q705. Do you do any of the following?

# NINE IN TEN (88%) INVESTORS ARE CONCERNED WITH PERSONAL FINANCIAL INFORMATION BEING LEAKED/STOLEN WHILE STORED OR SHARED WITH THE GOVERNMENT



Percentages were rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.

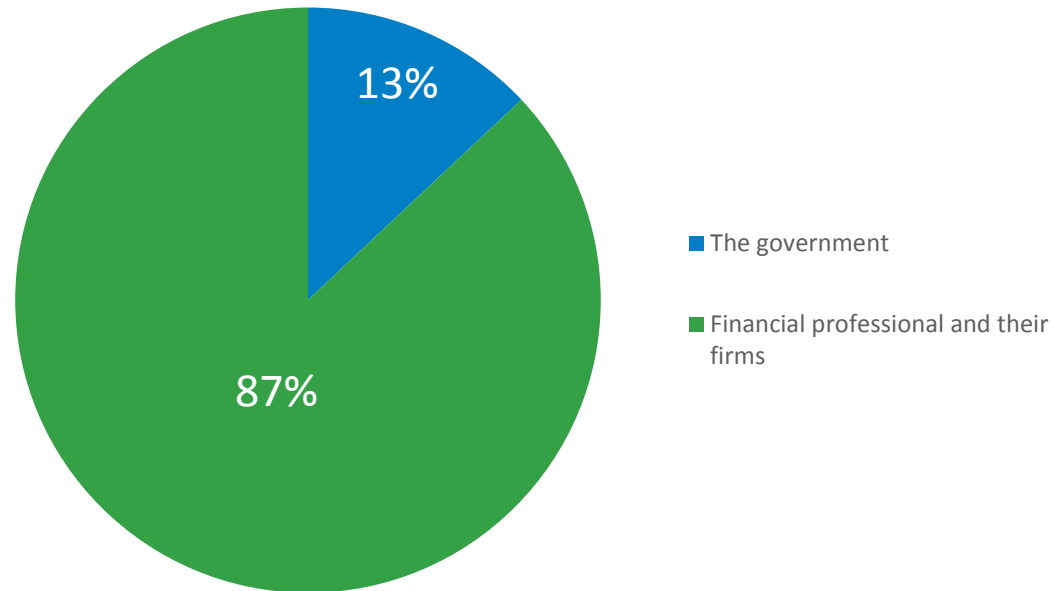
**Base: All Qualified Respondents (n=1103)**

Q715. How concerned are you about the following?

# OVERWHELMING MAJORITY OF INVESTORS TRUST FINANCIAL PROFESSIONALS AND THEIR FIRMS OVER THE GOVERNMENT TO KEEP THEIR FINANCIAL INFORMATION SAFE

Nearly nine in ten investors cited that they trust financial professionals and their firms (rather than the government) the most to keep their personal financial information, statement balances, and transactions from being compromised.

Trust in Keeping Personal Financial Information Secure



Base: All Qualified Respondents (n=1103)

Q740 When working with a financial professional, who do you trust most to keep your personal financial information, statement balances, and transactions from being compromised?



# DEMOGRAPHIC DATA

<b>Gender</b>	<b>Total</b>	<b>Household Investable Assets</b>	<b>Total</b>	<b>Employment</b>	<b>Total</b>
	<b>n=1103</b>		<b>n=1103</b>	EMPLOYED (NET)	50%
Male	66%	\$100,000-\$249,999	31%	Employed full time	32%
Female	34%	\$250,000-\$499,999	25%	Employed part time	8%
		\$500,000-\$999,999	24%	Self-employed	10%
		\$1 Million or more	20%	Not employed, but looking for work	2%
<b>Age</b>	<b>n=1103</b>			Not employed and not looking for work	*
18-34	6%	<b>Income</b>	<b>n=1103</b>	Not employed, unable to work due to a disability or illness	1%
35-49	19%	Less than \$15,000	*	Retired	43%
50-64	38%	\$15,000 to \$24,999	1%	Student	*
65+	36%	\$25,000 to \$34,999	2%	Stay-at-home spouse or partner	3%
		\$35,000 to \$49,999	6%		
<b>Ethnicity</b>	<b>n=1103</b>	\$50,000 to \$74,999	16%		<b>Total</b>
White	88%	\$75,000 to \$99,999	18%	<b>Education</b>	<b>n=1103</b>
Hispanic	4%	\$100,000 to \$124,999	18%	HIGH SCHOOL OR LESS (NET)	12%
Black/African-American	3%	\$125,000 to \$149,999	15%	Completed some high school	*
Asian or Pacific Islander	3%	\$150,000 to \$199,999	12%	Completed high school	11%
Native American or Alaskan Native	*	\$200,000 to \$249,999	6%	ATTENDED COLLEGE OR COLLEGE DEGREE (NET)	52%
Some other race	*	\$250,000 or more	4%	Some college, but no degree	19%
Decline to Answer	1%	Decline to answer	*	Associate Degree	7%
		<b>Region</b>	<b>n=1103</b>	College (such as B.A., B.S.)	26%
		East	25%	ATTENDED GRADUATE SCHOOL OR GRADUATE DEGREE (NET)	29%
		Midwest	22%	Some graduate school, but no degree	5%
		South	25%	Graduate degree (such as MBA, MS, M.D., Ph.D.)	24%
		West	28%	Job-specific training program(s) after high school	7%