

L. M. KOHN & COMPANY
BROKERAGE AND INVESTMENT MANAGEMENT

March 7, 2014

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

Re: Regulatory Notice 13-42

Dear Ms. Asquith:

After reviewing Regulatory Notice 13-42, the goals of CARDS are commendable, but seem unrealistic to the smaller B/D community, of which L.M. Kohn & Company would be considered part. When reading the regulation, one must understand the facts by which we operate our businesses and then compare whether a regulation that will cost probably hundreds of millions of dollars to implement accomplishes what it has set out to do. This regulation will punish the B/D community that operates businesses in full compliance of FINRA rules and regulations.

I am not sure of the exact percentages, but I would suspect that 98% of all brokers operate traditional and honest businesses. On site exams are supposedly risk based, and with qualified examiners, should be able to identify the high risk brokers associated with the misconduct CARDS would hope to curtail. Current systems, such as the CRD system or the public domain of broker check, certainly can identify those registered personnel. The fact is that most examiners lack the general knowledge of the firms they examine and they truly do not understand each firm's business model. CARDS will not change the inexperience and understanding, but it will create a mountain of new correspondence to FINRA. CARDS will not understand that a typical investor holds more than one account, most of the time at multiple brokerage firms and will not be able to discern the collected information adequately. CARDS will not understand that most clients do not want to disclose all of their holdings to an associated person. Consequently, the cost of implementation would be expensive and would require additional hiring by the member firm.

Secondly, fact is that most independent B/Ds allow securities business to be submitted by application (VAs, 529 plans, ESAs) not utilizing clearing firms. The utilization of clearing firms cost both the client and representative in terms of ticket and servicing charges as well as inactivity fees for a buy and hold customer.

Notice 13-42 envisions a standardized, automated data collection system. FINRA has around 4800 members and each member gathers data in different formats and stores the data according to the firm's business model. No two firms are the same, thus creating a nightmare for firms to try to move towards a standardized data collection model designed by large firms without cost restraints. CARDS will require the hiring of additional personnel for both the firm and FINRA.

One objective of CARDS would be to reduce the time examiners are on-site. Currently, we submit pages of data prior to the on-site visits. The purpose of the data submission is to identify risk and reduce the number of examiners and time that they are in the offices. Unfortunately, this has not been the case.

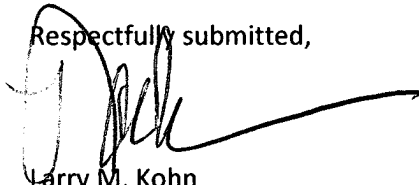
10151 Carver Road • Suite 100 • Cincinnati, Ohio 45242 • Tel 513-792-0301 • 800-478-0788 • Fax 513-792-0300

Full Service Brokerage • Investment Advisory Services • Insurance
Member FINRA / SIPC / MSRB. Affiliated with all major exchanges

Regarding technology, it is my belief that many firms will have to customize systems to deliver information in formats acceptable to FINRA. The cost will be high and will have to be passed on to either the representative or client. Small firms are already operating with slim margins and under the current regulatory environment those margins are being challenged every day. Technology should save time and money. If that is the case, FINRA should be able to reduce staff and consequently pass on cost savings to the member firms. I do not believe that will be the case.

Bottom line is that L.M. Kohn will have to add permanent staff and develop appropriate technology solutions that will be expensive. It will cost the consumer in the end. In my opinion, CARDS is a regulatory overreach. The goals are lofty, but the benefit of implementation does not meet the high cost to each firm.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'L.M. Kohn', with a long horizontal flourish extending to the right.

Larry M. Kohn
President/CEO