Wachtel & Co., Inc
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March 17, 2014

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

Re: CARDS Concept Proposal – Regulatory Notice 13-42

Dear Ms Asquith:

This firm is a small self-clearing broker dealer, and we submit this comment on behalf of ourselves and other similar firms. Among previously published comments, we largely support those of Diamant Investment Corporation, LM Kohn & Company, Kern & Company Advisory and First Allied Securities to the extent that they address the cost impact of CARDS on small firms. We submit the following additional thoughts on this critical point.

In brief, CARDS is destructive without small firm relief. The proposal as described by FINRA is of, by and for large firms–where (l) the volume of data is substantial, (2) associated revenue is available to defray the cost, and (3) automated supervisory practices--especially with use of new products--may warrant heightened surveillance. None of this is true for our firm, where sales practice violations are almost inconceivable–as backed up by a fifty year record–and a huge disproportionate cost is inescapable in creation and maintenance of any new IT system. Without relief, CARDS runs directly counter to FINRA's most cherished and often repeated regulatory mantra – the "risk focused" regulatory approach – because CARDS is not risk focused; it is a one size fits all undertaking which threatens the viability of well-managed small firms where the need is least and the cost is the most.

Should this proposal go forward, we would be happy to work with FINRA to create an exemption where CARDS can be restricted to firms where it is cost/benefit justified on a risk control basis. As described below, that would not include Wachtel & Co Inc.

1. CARDS Effect on our Firm: No Benefit Whatsoever/ Wasteful & Counterproductive
This firm was founded in 1961 and has always been owned and managed by members of the Wachtel family. The undersigned, Bonnie & Wendie Wachtel, are CEO and CFO respectively, and together have more than seventy years of experience running the firm. Over that time, we have never received a non-trivial customer complaint, never been named in any arbitration or litigation, and never been cited for a sales practice violation in dozens of examinations. That's ZERO violations in FIFTY years.

This is largely due to our substantial investment in eliminating regulatory risk by keeping our affairs simple and straightforward. We handle debt and equities on an agency basis–a business that has barely changed in twenty years. We do not offer margin accounts, short sales, stock loan, proprietary trades with clients or network mutual funds (meaning two of CARDS data elements–mark ups and mutual fund switches--have no application to our business at all). We do not prioritize trade reviews or use automated exception reports; both principals sign off on each and every trade. By way of size, our well-capitalized firm has approximately 200 clients, no full-time IT support and modest staff and commission revenue (for details, see any of our multitude of Focus Reports). In short, this is a high-touch/ low volume business model that runs directly counter to the automated high volume industry leaders that may be well suited to CARDS. No benefit will accrue from any additional surveillance, because there is not the slightest scintilla of evidence to suggest that there ever has been or ever will be a sales practice violation at this firm.

Having established the expected benefit of this system at zero, we now turn to the cost. Diamant Investment Corp. estimates that the cost of compliance with CARDS for their firm will be upwards of $1 million. Like them, this firm does not maintain client profile information in electronic format and uses proprietary software not available to any service bureau or outside provider. We have made a deliberate decision to not offer electronically delivered statements to our clients, and much of the data cited for CARDS we never provide electronically for any reason. This creates a system which our largest clients prefer, and which has benefits in the realms of privacy, security and efficient use of resources.

It should be obvious from the foregoing--together with consideration of our small staff and revenue base--that creation of a new interface for CARDS would be highly burdensome, and daily use and maintenance of the system, including attention to glitches and failures, even worse. Rather than state a cost dollar figure, however, we wish to highlight the disproportionate impact. Let us know the estimated cost of CARDS to a major firm as a proportion of revenue or profits, and we'll show you how it's ten, twenty or thirty times more expensive on the same basis for us. **And please recall, we have a human surveillance system far superior to the major firms based on the record of violations–the need for CARDS has nothing to do with this firm and its extra review would be entirely superfluous.**

But CARDS wouldn't be just wasteful; it also promises to be counterproductive. In the name of client protection, FINRA will be providing exactly the opposite–by degrading the ability of our principals to provide investment research and client service–the only reason why anyone should do business at this firm. In short, we view CARDS (and other systems like it) as an invitation from the regulators to close this firm, despite our superior record on every regulatory front. These systems interfere with competition by forcing firms to adopt a high volume/high profit/higher violation approach so as to defray the cost of mandated regulatory technology or go out of business. This undifferentiated approach–where the cumulative cost of oversight threatens a firm's viability in the face of overwhelming evidence that its current systems are perfectly adequate–is surely the definition of destructive regulation. This isn't client protection and should be stopped in its tracks.

2. CARDS Alternatives Available to FINRA.

Diamant suggested that FINRA develop a tighter regulatory profile from information it already has. That includes from the clearing agencies (which have a record of all securities held or transacted by any firm) and in the SSOI, which documents sources of revenue. Such an approach would be ideal. Can FINRA assure us that co-ordination with Nasdaq, NSCC and DTC has been maximized to obtain trade patterns without placing extra burdens on firms? We request that they do. If CARDS does go forward, we suggest an exemption which begins with firms collecting less than a few million dollars in client-derived revenue, and may also have added requirements. As a last resort, firms should be able to apply for exemptive relief on an individual basis.

Such an exemption should not clash with any other supposed benefit of this system to FINRA or other firms. The vast majority of securities industry revenue flows through large firms; their reporting will suffice to provide industry trends. Any exempt firm that believes this system will reduce their regulatory burden through examinations (we don't) would be free to adopt it voluntarily. And finally, as to the notion that this system will allow regulators to "risk focus" their examinations, we have to shake our heads. FINRA has a fifty year history on us, and review of any recent exam or Focus Report--filings that we spend hours and hours producing-- will tell examiners exactly what we do. For any further update, a 15 minute pre-exam telephone call has always sufficed. This is another distinction between smaller, more narrowly focused entities and our larger firm counterparts.

3. Conclusion.

Our primary concern is the "one size fits all" nature of the CARDS proposal. CARDS is not risk-based, and tilts the securities industry toward one business model (high volume with attenuated, layered supervision) while destroying the alternative (tightly managed, low volume firms where the cost of automated systems dwarfs any possible benefit). For us, the fact that CARDS proof of concept has worked in connection with large firms means absolutely nothing– their cost/benefit dynamics are the opposite of ours. Both FINRA and the SEC (along with US Treasury) have recognized this disjunction in providing exemptive relief and other limitations on electronic system requirements. **At the risk of repetition, we cannot assert strongly enough the need to retain this approach if firms like ours are to continue serving our clients rather than being crushed by needless rules developed for firms many times our size.**

We appreciate the opportunity to present these comments. Please feel free to contact us for further discussion.

Sincerely yours,

Bonnie K Wachtel, CEO

Wendie L Wachtel, COO