



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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Submitted electronically to pubcom@finra.org

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

Re: Comments in Response to Regulatory Notice 14-37

Dear Ms. Asquith:

The North American Securities Administrators Association (“NASAA”)¹ appreciates the opportunity to offer comments regarding the Financial Industry Regulatory Authority’s (“FINRA”) Regulatory Notice 14-37 (“Notice”), which discusses the proposed Comprehensive Automated Risk Data System (“CARDS”). NASAA supports the proposal, which will serve an important function in supporting the work of regulators and protecting investors. NASAA believes that CARDS will assist in the identification of high risk and suspicious activities, allowing regulators to respond to such problems more quickly, thereby avoiding the acceleration of systemic problems. Furthermore, CARDS not only streamlines the surveillance, risk assessment, and examination processes, but, through creating more robust investor protections, will further the goal of restoring and maintaining investor confidence in the securities markets. We are likewise encouraged by the measures FINRA intends to take to ensure data security and to safeguard client privacy, particularly its exclusion of personally identifiable information from CARDS.

The Notice mainly seeks cost-related comments and, in that regard, NASAA observes that many comments to the initial proposal,² as well as those submitted to the Notice to date, raise cost concerns in connection with CARDS. As indicated in its earlier comments,³ NASAA recognizes that smaller member firms may bear a disproportionate burden with respect to costs,

¹ NASAA is the association of all state, provincial, and territorial securities regulators in North America. Its membership consists of the securities regulators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico. Their core mission is protecting investors from fraud and abuse in the offer and sale of securities. Organized in 1919, NASAA is the oldest international organization devoted to investor protection.

² FINRA Regulatory Notice 13-42.

³ NASAA’s prior comment letter can be found at:

<http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/noticcomments/p473396.pdf>

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and NASAA accordingly supports the phased rollout approach and urges FINRA to be flexible in CARDS implementation for smaller firms. However, while the costs of implementation may indeed be considerable, NASAA believes CARDS will be a sound, long-term investment that will build a critical infrastructure and an absolutely necessary tool for FINRA and other regulators to fulfill their duties and protect the public. As technologies continue to advance and the transactional speeds of the markets move ever faster, it is crucial that regulators—and the investing public—continue to advance in their technology capabilities and analysis.

As indicated in our comments to the initial CARDS proposal⁴, NASAA strongly supports a standard technology interface accessible to FINRA as well as state and federal regulators, who will all greatly benefit from immediate real-time access to information to be gathered through CARDS. In particular, NASAA notes that the Select Account Profile Data Elements (“Elements”) to be added in Phase 2 may help standardize what are generally described as suitability factors. NASAA notes the benefit of standardizing suitability factors, which are currently characterized by different firms in different ways. While we understand that proposed use of free format text fields allows firms to submit data in whatever format already maintained by the firms, NASAA continues to urge FINRA to consider standardizing definitions for suitability terms so that suitability data comparisons would be more feasible. Finally, the combination of information to be reported in Phase 1 and Phase 2 will assuredly help regulators better understand a member firm’s business prior to an examination, which should make the examination process more efficient and reduce the volume of additional information requested. Perhaps most importantly, CARDS will assist in the identification of high risk and suspicious activities so that regulators can respond to such problems more quickly.

In conclusion, while there are many additional details requiring analysis and development, NASAA believes that CARDS represents a wise, forward-looking and essential investment in smart technology to enable member firms to better serve and protect their clients and carry their businesses into the future.

Should you have any questions regarding the comments in this letter, please do not hesitate to contact Joseph Brady, NASAA General Counsel at jb@nasaa.org or 202-737-0900.

Sincerely,



William Beatty
NASAA President
Washington Securities Administrator

⁴ *Id.*