

Dear FINRA,

While it is a “given” that FINRA should seek to protect investors, the activities to accomplish that goal should be carefully weighed.

There should be several concerns regarding the undertaking of the proposed CARDS program.

1. **Date Quality:** Making subjective data objective is often a daunting task. The mere definitions and meanings of “investment objectives” or “risk tolerance” or other “category” to describe variations of these concepts will be a challenge and the subject to interpretation and misinterpretation in accepting data from firms and “matching” that data with the CARDS system. FINRA often professes “where there is smoke, there is fire” and the application of trading data to investor definitions will create more smoke and false alarms than “fire” or false positives. These means waste of time, money and manpower. It is unlikely that FINRA will be able to “standardize” the assessment of customer data unless it “standardizes” the (new) account document. Perhaps FINRA should consider that action BEFORE implementing CARDS.
2. **Lack of Transparency for Costs:** We have seen no data has come forth that allows the weighing of cost vs the intended benefit of CARDS. FINRA is encouraged to reveal that information to the public and its member firms. Does FINRA have the ability to develop the algorithms’ that will be able to handle the “big data” from firms and discover potential violations? Although FINRA has stated that “direct business” (performed by many small firms) will not be included, to get the “complete picture” of the customer’s investments, they will eventually require that data, putting a large financial burden on the small firms. Small firms are leaving the business already on a regular basis and this additional burden will exacerbate the decline in small firms. The costs suffered by clearing firms will eventually make their way down to their “consumer,” their small firms who clear through them. The IT costs and data input requirements for small firms will do nothing but rise under CARDS, yet FINRA has no concern about this part of the CARDS program.
3. **No Historical Reports of Success:** It is my understanding that FINRA collects considerable data already. It seems that there are no clear reports that use is made of that data currently that demonstrates increased discovery of regulatory violations. If this is true, it makes the projections/promises of CARDS suspect. This mirrors some government programs whereby data is gathered for data’s sake. It does not seem that either the SEC or FINRA have thought through exactly what productive uses the contemplated gathering of such huge volumes of data will result in. Recently adopted SEC Rule 613 imposes more stringent NMS securities reporting and will provide massive data requirements that may overlap CARDS. Has there been an analysis performed regarding the relationship and possible cross-use of data between the two systems to potentially reduce the cost of CARDS?
4. **Data Consolidation Danger:** With “Mega Data” being consolidated at FINRA, the specter of “Control” vs “Regulation” is raised with the concentration and control of a massive amount of data resulting from CARDS. Does FINRA wish more power over its “member” firms? FINRA already has significant powers over the firms it regulates and those should provide adequate ability to regulate.

The requests made from a President of a member firm (also member of a District Committee) is that FINRA delay implementation until a definitive cost projection is made, a benefit analysis is performed, details regarding the project and presentation of this information to the public.

Sincerely,

Robert Hamman
President/Chief Compliance Officer
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