

Public Investors Arbitration Bar Association

March 20, 2014

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

Re: Regulatory Notice 13-42, Comprehensive Automated Risk Data System

Dear Ms. Asquith:

Thank you for the opportunity to comment on the above-referenced Regulatory Notice ("RN") wherein FINRA requested public comment on a concept proposal to develop the Comprehensive Automated Risk Data System ("CARDS"). I write on behalf of the Public Investors Arbitration Bar Association ("PIABA"), an international bar association comprised of attorneys who represent investors in securities arbitrations. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and industry misconduct. Our members and their clients have a strong interest in rules promulgated by the Financial Industry Regulatory Authority ("FINRA") relating to both investor protection and disclosure.

Like other measures designed to increase public investor protection, PIABA is generally supportive of the CARDS concept proposal. The advent of new technologies has revolutionized the securities markets, and PIABA believes that the CARDS concept could, if implemented properly, bolster FINRA's core market surveillance, investigation and enforcement regulatory functions.

PIABA observes that the CARDS concept raises very serious issues implicating public investors' privacy and the security of computer files containing personally-identifiable information. PIABA is concerned that the automated, indiscriminate collection, transmission, and dissemination of specific customer information may unduly invade customers' privacy interests and facilitate identity theft and other unlawful conduct.

PIABA is not alone. When it adopted its Consolidated Audit Trail Regulation, the SEC expressed its "[belief] that maintaining the confidentiality of customer and other information reported to the central repository is essential." CAT Release, 77 Fed. Reg. at 45782. As it implements the Consolidated Audit Trail Regulation and CARDS, FINRA must adopt policies, procedures, and privacy protections "necessary to assure regulators and market participants that [CARDS] provides for rigorous protection of confidential information." *Id.* Indeed, regulators' market surveillance "would be compromised if the Commission, the SROs and their members could not rely on the confidentiality and

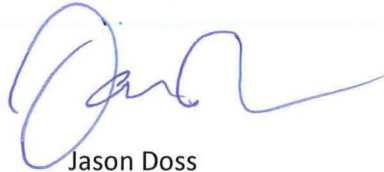
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security of the information stored in" programs like CARDS. *Id.* at 45783. Accordingly, SEC Rule 613 mandates certain requirements and procedures to ensure the "security and confidentiality" of all customer information transmitted through CARDS and maintained by FINRA. 17 C.F.R. § 242.613 3(a)(1)(iv), (e)(4).

Unfortunately, FINRA initially opted to leave consideration of customer privacy and data security issues for another day. RN 13-42 at 10, n. 7. However, PIABA is encouraged by the steps taken thus far by FINRA expressed in the recent Update Regarding Regulatory Notice 13-42, in which FINRA advises that "the CARDS proposal will not require the submission of information that would identify to FINRA the individual account owner, particularly, account name, account address or tax identification number." Nonetheless, PIABA maintains that risks to the privacy rights of public investors must be monitored closely.

Once again, PIABA appreciates the opportunity to comment on the CARDS concept proposal.

Sincerely,



Jason Doss
President