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FINRA Solicits Comment on Comprehensive Automated Risk Data System (CARDS) Proposal.

WASHINGTON—The Financial Industry Regulatory Authority (FINRA) issued a Regulatory Notice soliciting comment regarding an innovative proposal called Comprehensive Automated Risk Data System (CARDS). CARDS will involve account reporting requirements that would allow FINRA to collect, on a standardized, automated and regular basis, account information, as well as account activity and security identification information that a firm maintains as part of its books and records.

In its first phase, the CARDS program will increase FINRA's ability to protect the investing public by utilizing automated analytics on brokerage data to identify problematic sales practice activity. FINRA plans to analyze CARDS data before examining firms on site, thereby identifying risks earlier and shifting work away from the on-site exam process.

"The information collected through CARDS will allow FINRA to run analytics that identify potential "red flags" of sales practice misconduct and help us identify potential business conduct problems with firms, branches and registered representatives," said Susan Axelrod, FINRA's Executive Vice President of Regulatory Operations.

FINRA's Regulatory Notice discusses the CARDS concept without specific rule language, to solicit comments on the appropriate design of CARDS and related costs. The core principles in FINRA's recently released Framework Regarding FINRA's Approach to Economic Impact Assessment for Proposed Rulemaking will guide the CARDS rulemaking process and help reduce unnecessary burdens to the industry.

"FINRA's new Framework will result in a more transparent and rigorous rulemaking process. FINRA will consult with key stakeholders and provide clarity about the objectives and potential impacts of the proposal," said FINRA's Chief Economist Jonathan Sokobin.

As currently envisioned, once CARDS is implemented, clearing firms (on behalf of introducing firms) and self-clearing firms would submit in an automated, standardized format, and on a regular basis, specific information relating to their customers' accounts and the customer accounts of each member firm for which they clear.

FINRA, the Financial Industry Regulatory Authority, is the largest independent regulator for all securities firms doing business in the United States. FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services. FINRA touches virtually every aspect of the securities business—from registering and educating all industry participants to examining securities firms, writing rules, enforcing those rules and the federal securities laws, informing and educating the investing public, providing trade reporting and other industry utilities, and administering the largest dispute resolution forum for investors and firms. For more information, please visit www.finra.org.

