



November 6th, 2017

Via Email to:
Pamela Dyson, Director/Chief Information Officer
U.S. Securities and Exchange Commission
c/o Remi Pavlik-Simon
100 F Street, NE
Washington, DC 20549
PRA_Mailbox@sec.gov

Re: Proposed Collection; Comment Request

SEC File No. 270-035; OMB Control No. 3235-0029

Dear Ms. Dyson:

I. Summary

DST Systems, Inc. (“DST”), whose subsidiaries include SEC-registered transfer agents and investment advisers, as well as FINRA-registered broker-dealers, wishes to respond to the SEC’s request for comment, pursuant to the Paperwork Reduction Act of 1995 (“PRA”), on its plans to submit to the Office of Management and Budget, for extension and approval, existing collection of information provided for in Rule 17f-2(c) (the “Rule”), under the Securities Exchange Act of 1934.¹ Comments were specifically invited regarding, “...(b) the accuracy of the Commission’s estimates of the burden of the proposed collection of information;...and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology.”

Specifically, DST is providing comments on the methodology used by the Financial Industry Regulatory Agency (“FINRA”) for processing fingerprints of individuals associated with non-broker-dealers, such as SEC-registered transfer agents. In our experience, the current method used for non-bank, non-broker dealer entities, as required by the Rule, is in need of modernization in order to meet the PRA’s stated goals² and to increase efficiency and the security of fingerprints and related personal information. Recognizing FINRA’s resource limitations, we alternatively suggest that other entities be authorized to receive, process and transmit to the FBI under the Rule in such situations, using end-to-end electronic means.

¹ 82 Fed. Reg. 43429, September 15, 2017.

² Section 3501 of the PRA describes its purpose, including to, “(2) ensure the greatest possible public benefit from and maximize the utility of information created, collected, maintained, used, shared and disseminated by or for the Federal Government; (3) coordinate integrate, and to the extent practicable and appropriate, make uniform Federal information resources management policies and practices as a means to improve the productivity, efficiency, and effectiveness of Government programs, including the reduction of information collection burdens on the public and the improvement of service delivery to the public...”.

II. Background

DST is a publicly-held provider of technology and outsourcing to the financial services and healthcare industries, based in Kansas City, Missouri. In its financial services segment, subsidiaries include investment advisers and transfer agents registered with the SEC, as well as broker-dealers registered with FINRA.

The Rule, at 17 CFR 240.17f-2(a), requires that specified securities industry personnel (including every partner, director, officer and employee of registered transfer agents, brokers and dealers) be fingerprinted and that those prints be submitted to the Attorney General of the United States or its designee. The Rule provides that those requirements, “may be satisfied by submitting appropriate and complete fingerprint cards to a registered national securities exchange or to a registered national securities association which, pursuant to a plan filed with, and declared effective by, the Commission, forwards such fingerprint cards to the Attorney General of the United States or its designee for identification and appropriate processing” (emphasis added).

DST’s policy is to submit fingerprints of all prospective employees to the FBI via FINRA. Fingerprints of subsidiary broker-dealer personnel are captured and sent electronically directly to FINRA through their “Web CRD” portal, but FINRA will not accept electronic fingerprints for employees who are not associated with DST’s subsidiary broker-dealers. As a result, the process for submitting transfer agent and other employees’ fingerprints to the FBI is different and separate from, and significantly more burdensome than, our broker-dealer workstream, as described below.



Figure 1

As illustrated in Figure 1, prospective employees, from around the country and world, have their fingerprints digitally scanned at an authorized local capture facility. Historically those scans have been transmitted to a DST contractor, which prints the scans onto physical cards, then

mails the cards to DST. DST in turn packages a group of fingerprint cards and sends them to FINRA in hardcopy. FINRA then *re-scans* the cards into the Electronic Biometric Specification format. They are transmitted directly from FINRA's scanner to the FBI for processing.

DST is working with a new vendor that will allow us to download the scans directly from their portal, rather than placing them in the postal/courier system. However, this change will only address one aspect of the risk of having numerous links in the transmission chain, and DST will still be required to print, package and mail hard copies to FINRA for rescanning and submission.

III. Issue

DST believes the current method of obtaining and transmitting fingerprints to the FBI for transfer agents and other non-FINRA registered entities should be updated to improve efficiency and better protect the personal information of private individuals against the risk of disclosure that could occur in the event of misplaced or mis-delivered paper cards.

As acknowledged in the subject Release, "Because the FBI will not accept fingerprint cards directly from submitting organizations, Commission approval of fingerprint plans from certain SROs is essential to carry out the Congressional goal to fingerprint securities industry personnel." DST has not identified a Self-Regulatory Organization ("SRO") with the capacity and willingness to process fingerprints electronically.

DST's vendor is only an approved FBI channeler for limited purposes under Public Law 92-544, which do not include those described herein³, so it cannot submit our 17f-2 required fingerprints directly to the FBI. That vendor recently confirmed that the process cannot be fully automated because FINRA will not accept electronic fingerprints for individuals not associated with a broker-dealer, even if their corporate parent has, as DST does, one or more FINRA-registered subsidiaries.

In its May 2, 2006 Release No. 34-53751, the Commission noted that "securities industry fingerprinting procedures are in a state of flux due to rapidly advancing technology. In the event that an industry-wide standard is adopted or becomes prevalent and in the event that [the] Amended Plan substantially differs therefrom, the Commission would expect the NASD to revise its fingerprint plan to incorporate the industry-wide standard."

More than 11 years on, the transmission between FINRA and the FBI is now completely electronic, yet the paper card exchange remains the requirement as between FINRA and non-broker-dealer entities. We therefore suggest that FINRA's fingerprint plan be updated in accordance with the Commission's stated intent,⁴ or that other options be available to organizations such as ours, with a significant annual volume of fingerprints, but no electronic means of submission.

³ According to the FBI's website, at <https://www.fbi.gov/services/cjis/compact-council/channeler-faqs>, "The FBI conducts national fingerprint-based criminal history record checks *for noncriminal justice purposes when authorized by a Federal or State statute that has been approved by the U.S. Attorney General*" (emphasis added). See also section 201 of Public Law 92-544.

⁴ SEC Release No. 34-53751, May 2, 2006, titled "Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Declaration of Effectiveness of the Fingerprint Plan of the National Association of Securities Dealers, Inc., provided that, "Under the NASD's current fingerprinting plan, members or other securities industry participants submit fingerprints and identifying information, on paper or electronically, to NASD, which forwards the cards to the Federal Bureau of Investigation...The FBI identifies submitted fingerprints, retrieves relevant criminal history information, and returns fingerprint reports (including the original paper fingerprint cards, if any) to the NASD."

IV. Proposed Next Steps

DST respectfully requests that the Commission take prompt action to alleviate the risks, inefficiencies and increased burdens (both in time and cost) associated with the current process for satisfying the requirements of 17f-2 by either:

- a. Instructing FINRA to update its 17f-2 Fingerprint Plan to allow non-broker-dealer entities to submit requests via their electronic fingerprinting system;
- b. Authorizing and instructing a different SRO to accept and process fingerprints for non-broker-dealer entities via an electronic fingerprinting system;
- c. Allowing authorized FBI channeler vendors to submit fingerprints directly to the FBI for purposes of meeting the requirements of the Rule; or
- d. Allowing DST, and other similarly-situated entities subject to the Rule, to submit a fingerprint plan under the Rule and acquire a compatible scanner, if available at a reasonable cost, so that it can submit fingerprints directly to the FBI.⁵

Thank you for the opportunity to comment on this plan. DST stands ready to assist the SEC in exploring additional approaches to remediate the privacy and security issues and to alleviate inefficiency in pursuit of the PRA's stated goals.

⁵ By its use of the word "may," the Rule, at 17f(2)-c, appears to contemplate the possibility of submitting fingerprints to the FBI by means or organizations other than "a registered national securities exchange or to a registered national securities association."