



February 24, 2021

The Honorable James J. Maroney, Chair  
The Honorable Michael D'Agostino, Chair  
General Law Committee  
Legislative Office Building, Room 3500  
Hartford, CT 06106

**RE: SB 893, to establish a framework for controlling and processing personal data**

Dear Chair Maroney, Chair D'Agostino and Members of the Joint Committee on General Law:

The Financial Industry Regulatory Authority ("FINRA") appreciates the opportunity to comment on SB 893, which would provide broad data privacy protections for Connecticut residents and place certain privacy-related obligations on a wide variety of entities. FINRA generally supports increased privacy protections, but seeks an exemption from SB 893 as a not-for-profit entity that regulates broker-dealers and their associated persons pursuant to the Securities Exchange Act of 1934.<sup>1</sup> FINRA is overseen by the Securities and Exchange Commission ("SEC") and works closely with the SEC in executing its regulatory responsibilities.

FINRA is a mission-driven organization dedicated to investor protection and market integrity. FINRA regulates brokerage firms doing business with the public in the United States – including the more than 173,000 financial advisors registered to do business in Connecticut, and the more than 2,400 brokerage offices in the state. Overseen by the SEC, FINRA writes rules, examines for and enforces compliance with FINRA Rules and federal securities laws, registers broker-dealer personnel and informs the investing public. We also administer licensing qualification examinations<sup>2</sup> and provide and administer continuing education to securities industry professionals.<sup>3</sup>

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<sup>1</sup> See Section 15A of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o-3).

<sup>2</sup> FINRA develops and administers qualifying examinations to securities industry professionals, which serve as a prerequisite to FINRA registration. FINRA also administers state law examinations on behalf of the North American Securities Administrators Association ("NASAA").

<sup>3</sup> FINRA develops and administers the Regulatory Element programs of the FINRA Continuing Education requirements for all persons associated with FINRA-registered broker-dealers.

FINRA regularly collaborates with the Connecticut Securities and Business Investments Division (“the Division”) to register<sup>4</sup> broker-dealer agents and oversees brokerage firms and their agents who fall under the jurisdiction of both FINRA and the Division. In addition to investigating violations of federal securities laws, FINRA also refers relevant matters to the Division.

We are concerned that FINRA, a not-for-profit entity that regulates the brokerage industry pursuant to the Securities Exchange Act of 1934, may unintentionally be covered by certain requirements of SB 893, which could create confusion for consumers and place an unnecessary burden on FINRA.

FINRA generally collects data from consumers in one of two ways: either through the direct collection of information on those we regulate (e.g., providing licenses to broker-dealers and their agents), or indirectly from the entities we regulate (e.g., consumer data provided to FINRA as part of the examination or investigation of a regulated firm). FINRA does not sell this information or use it for marketing purposes. FINRA may share this information for regulatory purposes – such as when making referrals to the Division.

SB 893 currently includes several commonsense exceptions to the bill’s requirements, most notably in Sections 3(b), 8 and 9. Due to the nature of FINRA’s regulatory mission, all data “processed” by FINRA would fall into one of these exceptions. However, because FINRA falls in the definition of “controller” and is not included in the list of excluded entities in Section 3(a), we would still have to determine which exception applies in each instance. Further, SB 893 may still require FINRA to authenticate the identity of a consumer that makes a request – for example, where certain data is covered by Section 8(c) (data that cannot be reasonably associated with an authenticated consumer request), FINRA would still be required to authenticate that consumer rights request.

This might create confusion for Connecticut residents, which could result in consumers making rights requests that FINRA would not be able to grant.

Further, the bill already recognizes the importance of directly excluding regulators. Federal regulators are excluded by operation of law,<sup>5</sup> and Section 3(a) of the bill specifically excludes any “body, authority, bureau, commission, district or agency of this state or of any political subdivision of this state[.]” We believe FINRA may be unintentionally covered as a not-for-profit, non-governmental entity that regulates the

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<sup>4</sup> FINRA facilitates the processing of state broker-dealer and investment adviser registrations through our CRD and IARD platforms, including the collection and disbursement of fees, review of qualifications and a review of applications for completeness and accuracy.

<sup>5</sup> FINRA may also be excluded by operation of law, including through federal preemption.

brokerage industry pursuant to the Exchange Act<sup>6</sup> subject to SEC oversight. As such, we respectfully urge you to specifically exclude FINRA from this bill by adding the following language to Section 3(a):

"[...] or a National Securities Association as defined in Section 15A of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o-3), as amended, or regulations adopted thereunder."

We are more than happy to discuss any or all these issues in greater detail. Thank you in advance for your time and consideration, and if you have any questions or need additional information, please contact Kyle Innes of FINRA at [kyle.innes@FINRA.org](mailto:kyle.innes@FINRA.org) or (646) 315-7367.

Sincerely,

*Gregory Dean*

Gregory J. Dean, Jr.  
Senior Vice President  
Office of Government Affairs  
FINRA

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<sup>6</sup> See Section 15A of the Securities Exchange Act of 1934 (15 U.S.C. Section 78o-3).