



March 31, 2017

Via Electronic Mail: pubcom@finra.org

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

Re: Distributed Ledger Technology

Dear Ms. Asquith:

Managed Funds Association (“**MFA**”)¹ appreciates the opportunity to submit comments to FINRA on its report on “Distributed Ledger Technology: Implications of Blockchain for the Securities Industry”² (the “**Report**”) and to share some investor perspectives. MFA is pleased to see that regulators, including FINRA and the Securities and Exchange Commission (“**SEC**”), are engaging with industry participants to understand the potential impact of new technologies, such as Distributed Ledger Technology (“**DLT**”), and considering how different DLT applications would operate within the current regulatory framework.

Over the last 30 years, U.S. financial regulators have played an important role in implementing a regulatory framework that allows for innovation and development. For example, the U.S. market regulations have supported the evolution of equity markets by reducing anticompetitive barriers and promoting fair access to markets and market information. Importantly, the regulatory framework fostered innovations in technology that have revolutionized investing in our equity markets and promoted greater competition among marketplaces, all to the benefit of retail and institutional investors. We believe regulators play an important role in fostering fair and open markets, and stopping anticompetitive practices or developments. In this vein, we look forward to working with FINRA to develop a regulatory framework that seeks to

¹ Managed Funds Association (MFA) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry’s contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, North and South America, and many other regions where MFA members are market participants.

² Report on Distributed Ledger Technology: Implications of Blockchain for the Securities Industry, FINRA, January 2017, available at: http://www.finra.org/sites/default/files/FINRA_Blockchain_Report.pdf.

ensure that the benefits of DLT and other similar technologies accrue to all market participants, and not just intermediaries.

Regulators must continue to be vigilant that technological developments advance the interests of investors and do not promote anticompetitive behaviors. In this respect, we raise a few concerns for FINRA to consider as it monitors developments related to DLT and other technologies.

Governance

First, to the extent the securities industry moves towards a private DLT network, we believe the governance structure will be important in promoting fair, efficient and open markets, and for ensuring that a DLT network is operated for the benefit of the public good. The Report raises important questions that require careful consideration by a range of market participants. To that end, we believe it is important for the SEC and FINRA to seek to ensure that the governance structure for a DLT network includes buy-side representation and that the governance process is sufficiently transparent to address potential conflicts of interests.

Transparency

Second, we believe that regulators need to ensure that the use of DLT does not undermine protections regarding personally identifiable information (“PII”) or the confidentiality of investors’ orders, positions or trading strategies. It is imperative that DLT networks are designed in ways that keep certain transactional and position information anonymous and private. Disclosure of such information would be detrimental to investors, negatively impact markets, and impair confidence in our regulatory framework and markets.

Network Security

We agree that security is a critical consideration for a DLT network and think the Report raises important security questions for network operators. We urge regulators to hold network operators to rigorous standards with respect to network and data security, and ensure that network operators dedicate adequate resources towards maintaining and enhancing data security. As demonstrated over the last few years, no entity is immune from cyberattacks and the number and level of attacks have only increased. In the cyber era, we believe security standards need to be robust and take into consideration the very real threat of an attack from individuals, organized groups, and even nation states.

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We very much appreciate FINRA's proactive approach regarding DLT and believe that the Report is a thoughtful contribution to an ongoing dialogue with market participants about the use of DLT in the securities industry. We support FINRA's engagement with DLT network providers to ensure that the use of DLT is consistent with the principles of investor protection and market integrity. If you have questions or comments, please do not hesitate to contact Jennifer Han, Associate General Counsel, or the undersigned at (202) 73-2600.

Respectfully submitted,

/s/ Stuart J. Kaswell

Stuart J. Kaswell
Executive Vice President & Managing Director,
General Counsel
Managed Funds Association