

## Records and Retention Policies and Procedures Template

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## I. Introduction

Section 17(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and Rules 17a-3 and 17a-4 thereunder, require that **[Name of Broker-Dealer]** (the “Company”) create and preserve a comprehensive record of each securities transaction effected by the Company and of its securities business in general. The rules impose minimum recordkeeping requirements based on standards a prudent broker-dealer should follow in the ordinary course of business. Rule 17a-3 requires broker-dealers to make certain records, including trade blotters, asset and liability ledgers, income ledgers, trial balances, customer account ledgers, securities records, order tickets, trade confirmations, account statements and employment related documents. Rule 17a-4 specifies the length of time and the manner in which these records and other records must be maintained. In addition, various self-regulatory organization (“SRO”) rules, including those of the Financial Industry Regulatory Authority (“FINRA”), impose certain recordkeeping requirements on their member firms.

These policies and procedures describe the types of records that the Company must make and preserve under Rules 17a-3 and 17a-4 and various SRO rules. **[A table summarizing the records that the Company must make and the length of time they must be preserved is presented as Appendix A – CONSIDER INSERTING SUMMARY TABLE].**<sup>1</sup> Under Rule 17a-4, the documents prepared must be preserved for a specified period of time, during part of which they must be in an easily accessible place. The SEC interprets the term “easily accessible place” to mean that the documents must be kept in a readily accessible location (generally, on the premises) and filed in such a way that they can be easily identified and retrieved.

## II. Business Records

Under Rule 17a-4(d), the Company is required to preserve all corporate documents, including the articles of incorporation of the Company, minute books, stock certificate books (or, in the case of any other form of legal entity, all records of similar type). The Company is also required to preserve all Forms BD and BDW, and all amendments to these forms, as well as all licenses or other documents demonstrating registration as a broker-dealer with any state or other securities regulatory authority.

Records	[Identify all business records prepared by the Company including articles of incorporation, charter or other organizational document and amendments, by-laws or other governing documents and amendments, minute books, stock certificate books or other records of ownership, Form BD and Form BDW and amendments, and any other related documents.]
Where Maintained	[Identify all locations where the business records described above are

<sup>1</sup> A table summarizing the record retention and preservation requirements of Rules 17a-3 and 17a-4 is available [here](#).

	maintained.]
How Maintained	[Identify how the business records described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the business records described above.]
Responsible Person	[Identify the name of the person responsible for the identification, preservation and reproduction of the business records described above.]

### III. Financial Records

Under SEC Rule 17a-3(a)(11), the Company is required to maintain a record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computations of aggregate indebtedness and net capital, as of the trial balance date, pursuant to SEC Rule 15c3-1. Trial balances and computations should be prepared at least once a month. The Company must also maintain copies of all quarterly FOCUS filings on Form X-17A-5.

In addition, the Company should maintain records relating to audited annual reports and audited financial statements.

Records	[Identify all financial records prepared by the Company, including general ledger accounts, trial balances and proofs of balances in the accounts, computations of net capital and aggregate indebtedness, annual audit reports and financial statements, checkbooks, bank statements, cancelled checks, cash reconciliations, all bills received or payable, FOCUS reports on Form X-17A-5, and other related documents.]
Where Maintained	[Identify all locations where the financial records described above are maintained.]
How Maintained	[Identify how the financial records described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the financial records described above.]
Responsible Person	[Identify the name of the person responsible for the identification, preservation and reproduction of the financial records described above.]

### IV. Personnel Records

Federal and SRO rules require the preparation and maintenance of personnel records for persons associated with the Company that contain identification information, employment history, disciplinary history, compensation information and other related information.

#### A. Employment Profile

SEC Rule 17a-3(a)(12) requires the Company to make records relating to associated persons of the Company, including information regarding the associated person's employment and disciplinary history. Specifically, SEC Rule 17a-3(a)(12)(i) requires that the Company retain a questionnaire or application for employment executed

by each associated person of the Company, which must be approved in writing by an authorized representative and contain at least the following information with respect to the associated person:

- > Name, address, social security number, and the starting date of the person’s employment or other association with the Company;
- > Any internal identification numbers and assigned CRD number;
- > Date of birth;
- > Complete, consecutive statement of the person’s business connections for at least the preceding ten years, including whether the employment was part-time or full-time;
- > Every office where he or she regularly conducts business;
- > Record of any denial of membership or registration, and of any disciplinary action taken, or sanction imposed, upon the person by any federal or state agency, or by any national securities exchange or FINRA, including any finding that the person was a cause of any disciplinary action or violated any law;
- > Record of any denial, suspension, expulsion or revocation of membership or registration of any broker-dealer with which the person was associated in any capacity when the action was taken;
- > Record of any permanent or temporary injunction entered against the person or any broker-dealer with which the person was associated in any capacity at the time the injunction was entered;
- > Record of any arrest or indictment for any felony, or any misdemeanor pertaining to securities, commodities, banking, insurance or real estate (including, but not limited to, acting or being associated with a broker-dealer, investment company, investment adviser, futures sponsor, bank, or savings and loan association), fraud, false statements or omissions, wrongful taking of property or bribery, forgery, counterfeiting or extortion, and the disposition of the foregoing; and
- > Record of any other name or names by which the person has been known or which the person has used.

If an associated person is a registered representative of the Company, then retention of a full, correct and complete copy of the associated person’s originally executed Form U-4 application for registration with FINRA or other regulatory agency is sufficient to satisfy this requirement. The personnel records described above must be kept for all partners, officers, directors, managing directors, branch managers, registered representatives, registered principals and other registered persons of the Company. However, the records need not be maintained for any persons whose functions are solely clerical or ministerial.

Records	[Identify all employment profile records prepared by the Company.]
Where Maintained	[Identify all locations where the profile records described above are maintained.]
How Maintained	[Identify how the profile records described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the profile records described above.]
Responsible Person	[Identify the name of the person responsible for the identification, preservation and reproduction of profile records described above.]

## B. Fingerprint Card Information

In addition, SEC Rule 17a-3(a)(13) requires that the Company retain a processed fingerprint card for each of its partners, directors, officers and employees unless an exemption applies under SEC Rule 17f-2. If the Company claims one or more exemptions from the fingerprinting requirement, it must retain a current statement entitled "Notice Pursuant to Rule 17f-2" containing the following information:

- > Name of the organization and that it is a broker-dealer;
- > Identity of all persons who have satisfied the fingerprinting requirements of Section 17(f)(2);
- > Identity of all persons claimed to be exempt from the fingerprinting requirements of Section 17(f)(2), and the names of the persons claimed to be exempt by reason of the Attorney General's rejecting properly prepared fingerprinted cards under Rule 17f-2(a)(1)(iv); and
- > A generic description of the duties of the persons described above, and the nature of their departments and divisions; and
- > A description of security measures utilized to ensure that only those persons who have complied with the fingerprinting requirements, or who are exempt under paragraph (a)(1)(iv), have access to the keeping, handling or processing of monies, securities or original books and records relating to monies or securities.

## C. Compensation Arrangements

Under Rule 17a-3(a)(19), the Company is required to make a record of all agreements, written and oral, pertaining to the employment or contractual relationship between the Company and each associated person of the Company, including a summary of the person's compensation arrangement. Where the person's compensation arrangement is based on a commission schedule, a record of the commission schedule must be maintained as part of the record of compensation arrangement. To the extent that compensation is based on factors other than remuneration on a per trade basis, the Company must make a record that describes the method by which compensation is to be determined.

Rule 17a-3(a)(19) also requires the Company to make a record for each associated person listing all purchases and sales of securities attributable to the person for compensation purposes. The record must include:

- > The amount of compensation (if monetary);
- > All commissions, concessions, overrides and other compensation to the extent earned or accrued for transactions;
- > A description of any compensation that is non-monetary (e.g., gifts or trips provided if certain sales goals are achieved, and other sales incentives) and an estimate of its value. (If sales would be counted toward achieving these goals, then a notation of the sales should be made regardless of whether the goal is achieved.)
- > The records relating to agreements and compensation arrangements for associated persons must be preserved for a period of three years after the agreement has been terminated or amended, or the person's association with the Company has been terminated.

Records	[Identify all compensation records prepared by the Company including employment agreements, descriptions of compensation arrangements, commission records, records of sales incentives or other transaction-based compensation, and other related documents.]
Where Maintained	[Identify all locations where the compensation records described above are

	maintained.]
How Maintained	[Identify how the compensation records described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduced the compensation records described above.]
Responsible Person	[Identify the name of the person responsible for the compensation records described above.]

## V. Compliance Records

Various federal and SRO rules require the preparation and preservation of compliance records, including records of associated persons and their supervisors, compliance policies, written supervisory procedures, exception reports and other surveillance tools to prevent and detect potential non-compliance with federal SRO rules, records evidencing supervision of transactions, customer complaints and other records.

### A. Record of Associated Persons

SEC Rule 17a-3(a)(12)(ii) requires the Company to create a record listing all of its associated persons showing every office where the person regularly conducts the business of handling funds or securities or soliciting or effecting any securities transactions. The record should include a listing of all internal identification numbers and the CRD number assigned to each associated person of the Company.

Records	Identify the record of associated persons, including office locations, CRD numbers and other internal identification numbers.
Where Maintained	[Identify all locations where the record of associated persons described above is maintained.]
How Maintained	[Identify how the record of associated persons described above is maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the record of associated persons described above.]
Responsible Person	[Identify the name of the person responsible for the record of associated persons described above.]

### B. Record Listing Principals

Rule 17a-3(a)(22) requires that the Company make a record listing each principal<sup>2</sup> of the Company responsible for establishing policies and procedures reasonably designed to ensure compliance with any applicable federal or SRO requirement that requires acceptance or approval of a record by a principal.

Under Rule 17a-3(a)(22), the Company must identify all individuals in charge of designing the Company's compliance policies and procedures – generally the head(s) of each business unit.

<sup>2</sup> The term "principal" is defined to include any individual registered with a registered national securities association as a principal or branch manager of a member, broker-dealer, or any other person who has been delegated supervisory responsibility for the Company or its associated persons.

Records	[Identify the record of principals described above, and other related documents.]
Where Maintained	[Identify all locations where the record of principals described above is maintained.]
How Maintained	[Identify how the record of principals described above is maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the record of principals described above.]
Responsible Person	[Identify the name of the person responsible for the record of principals described above.]

### C. Business Manuals

Under Rule 17a-4(e)(7), the Company is required to preserve all business operating manuals, including investment banking, trading and sales, margin, finance and operations manuals.

Records	[Identify all business operating manuals described above, including anti-money laundering procedures and branch office procedures.]
Where Maintained	[Identify all locations where the business operating manuals are maintained.]
How Maintained	[Identify how the business operating manuals are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the business operating manuals.]
Responsible Person	[Identify the name of the person responsible for the business operating manuals (e.g., the relevant department heads).]

### D. Compliance Policies

Under Rule 17a-4(e)(7), the Company is required to preserve copies of all compliance manuals describing policies and practices for compliance with applicable laws and rules including the following:

- > Policies and procedures to prevent the misuse of material non-public information required by Section 15(g) of the Exchange Act;
- > System of risk management controls and supervisory procedures for market access required by Rule 15c3-5 under the Exchange Act;
- > AML-CIP compliance policy and procedures required by Rule 17a-8 under the Exchange Act and FINRA Rule 3310;
- > Policies and procedures to manage conflicts of interest with respect to research required by FINRA Rules 2241, 2242 and 5280;
- > Procedures for review of institutional communications required by FINRA Rule 2210;

- > Written business continuity plan required by FINRA Rule 4370; and
- > Written methodology governing execution and priority of orders required by FINRA Rule 5320.

Records	[Identify all compliance manuals described above, including anti-money laundering procedures and branch office procedures.]
Where Maintained	[Identify all locations where the compliance manuals are maintained.]
How Maintained	[Identify how the compliance manuals are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the compliance manuals.]
Responsible Person	[Identify the name of the person responsible for the compliance manuals (e.g., the Director of Compliance).]

### E. Supervisory Procedures

Under Rule 17a-4(e)(7), the Company also is required to retain copies of all written supervisory procedures manuals describing the Company's practices for monitoring compliance with applicable laws, and supervision of associated persons, including the following:

- > Written supervisory procedures required by FINRA Rule 3110;
- > Supervisory control policies and procedures and annual reports required by FINRA Rule 3120;
- > Annual certification required by FINRA Rule 3130; and
- > Special written procedures for supervising telemarketing activities required by FINRA Rule 3170.

Records	[Identify all written supervisory procedures described above, including anti-money laundering procedures and branch office procedures.]
Where Maintained	[Identify all locations where the written supervisory procedures are maintained.]
How Maintained	[Identify how the written supervisory procedures are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the written supervisory procedures.]
Responsible Person	[Identify the name of the person responsible for the written supervisory procedures (e.g., the Director of Compliance).]

### F. Exception Reports

Under Rule 17a-4(e)(8), the Company must maintain and preserve in an easily accessible place copies of reports produced for the review of unusual activity in customer accounts (commonly known as exception reports).



Records	[Identify all exception reports prepared by the Company.]
Where Maintained	[Identify all locations where the exception reports described above are maintained.]
How Maintained	[Identify how the exception reports described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the exception reports described above.]
Responsible Person	[Identify the name of the person responsible for the exception reports described above.]

### G. Customer Complaints

Under Rule 17a-3(18) the Company must make certain records relating to customer complaints. Rule 17a-3(a)(18)(i) requires the Company to make a record for each associated person of each written customer complaint that is received concerning the person (including those received electronically). This record must include:

- > The complainant's name, address and account number;
- > The date the complaint was received;
- > The name of any other associated person identified in the complaint;
- > A description of the nature of the complaint; and
- > The disposition of the complaint.

(The Company may comply with this requirement by keeping a copy of each complaint, along with a record of the disposition of the complaint, in a file in the name of the associated person.)

In addition, Rule 17a-3(a)(18)(ii) requires the Company to record that each customer has been provided with a notice containing the address and telephone number of the department receiving customer complaints with respect to account activity. (The Company may include this information with a customer statement.)

FINRA Rule 4513 requires that the Company maintain in each office of supervisory jurisdiction either (i) a file of all written customer complaints<sup>3</sup> and the action taken by the Company, if any, or (ii) a record of all written complaints and a reference to the files containing the correspondence connected with each complaint which must be maintained in the office.

The Company should also maintain a record of all reports of violations, complaints, arbitrations, judicial proceedings and other events reportable under FINRA Rule 4530(a), and statistical information reported under FINRA Rule 4530(d).

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<sup>3</sup> A "complaint" is defined by FINRA as any written statement by a customer or any person acting on behalf of a customer alleging a grievance involving the activities of registered representatives and other persons of the Company in connection with the solicitation or execution of any transaction or the disposition of securities or funds of that customer.

Records	[Identify all customer complaint records, including customer complaints received, records of disposition, reports of violations, arbitration and judicial proceedings and other related documents.]
Where Maintained	[Identify all locations where the customer complaint records described above are maintained.]
How Maintained	[Identify how the customer complaint records described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the customer complaint records described above.]
Responsible Person	[Identify the name of the person responsible for the customer complaint record described above.]

## VI. Business Communications

Federal securities laws and SRO rules address the preservation and content of internal and external communications by the company.

### A. Internal Communications

SEC Rule 17a-4(b)(4) requires the preservation of all interoffice memoranda and other internal communications.

### B. Correspondence and Other External Communications

Under Rule 17a-4(b)(4), the Company is required to maintain the originals of all communications received and copies of all communications sent to customers and other third parties pertaining to its business as a broker-dealer, as well as communications with the public subject to FINRA or other SRO rules. All mail, email, instant messages (IM) and text messages received by the company or an associated person on a company device or business-related address are presumed to be business-related and should be preserved in accordance with Rule 17a-4. Outgoing correspondence includes all mail, e-mail, IM, text messages, market letters, notices and other customer-directed communications.

Under FINRA Rule 2210, the Company must maintain all retail and institutional communications for the period and in the manner prescribed by SEC Rule 17a-4. The records must include:

- > A copy of the communication and the dates of first and (if applicable) last use of such communication;
- > The name of any registered principal who approved the communication and the date that approval was given;
- > In the case of a retail communication or an institutional communication that is not approved prior to first use by a registered principal, the name of the person who prepared or distributed the communication;
- > Information concerning the source of any statistical table, chart, graph or other illustration used in the communication; and
- > For any retail communication for which principal approval is not required pursuant to paragraph (b) (1) (C), the name of the member that filed the retail communication with the department, and a copy of the corresponding review letter from the department.

“Retail communication” means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period. “Institutional communication” means any written (including electronic) communication that is distributed or made available only to institutional investors, but does not include a member’s internal communications.

Under FINRA Rule 3110 and Supplementary Material .09, the names of the persons who prepared outgoing correspondence and who reviewed the correspondence must be ascertainable from the retained records, and the retained records must be readily available upon request. “Correspondence” means any written (including electronic) communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period.

Under the envelope theory, *infra*, the Company should preserve a record of any information that appears as an attachment or hyperlink to the communication.

### **C. Web Site and Social Media**

The Company’s web site and the documents available to clients and prospective clients on the web site ordinarily would constitute communications with the public for purposes of SEC Rule 17a-4 and FINRA Rule 2210. The web site and the documents on it, as well as the names of the persons who prepared them and approved them, must be preserved. A record or electronic file of all pages of the web site should be preserved for three years from the date of the last substantive change to any page of the web site. A record or electronic file of all documents, videos or other presentations available on the web site should be preserved for the relevant period from the date the document last appeared on the web site.

In Securities Act Release No. 7233 on the use of electronic media to deliver information to investors, the SEC stated that documents hyperlinked to each other are considered delivered together as if they were in the same envelope. FINRA has adopted this position, which has come to be known as the “envelope theory.” Therefore, as a general position, information that is linked through a hyperlink to the Company’s web site would be considered retail or institutional communication, as the case may be, subject to FINRA approval, filing and recordkeeping requirements under Rule 2210(b). However, FINRA staff has indicated that FINRA would not hold the Company or any other member responsible for the content or filing of information connected by hyperlink to the Company’s web site under the following circumstances:

- > The hyperlink is continuously available to investors;
- > The Company has no discretion to alter the information on the other party’s site;
- > Investors have access to the other party’s site whether or not it contains favorable information about the Company; and
- > The other party can update or modify the site without affecting investors’ access to the site.

If these conditions are met, the Company should not be required to maintain a record of the information contained on another web site that is hyperlinked to the Company’s web site.

Although members of the general public may be able to access and pull down information or sales literature, such as articles, research reports, etc., from the Company’s web site, these visits should not be considered communications with the public.

Communications in chat rooms by registered representatives and other persons associated with the Company also may be considered written or electronic communications by the Company for purposes of FINRA Rule 2210 (and, if the representative is a research analyst, the discussion may be considered a “public appearance” for purposes of NASD Rule 2711) subject to recordkeeping requirements. The Company should make and preserve a record of such communications any time a registered representative or other person associated with the Company participates in the chat room.

The Company also is required to retain records of communications related to its business that are made through online social media sites, such as blogs and social networking sites.

**[THE COMPANY’S POLICY WILL DEPEND, AMONG OTHER THINGS, ON ITS ABILITY TO RETAIN AND RETRIEVE SUCH COMMUNICATIONS. IN THIS REGARD, ATTENTION IS DRAWN TO FINRA REGULATORY NOTICES 11-39 AND 10-06, NASD NTM 03-33 AND THE “GUIDE TO THE WEB FOR REGISTERED REPRESENTATIVES” PAGE OF THE FINRA WEBSITE.]**

#### **D. Electronic Notices**

An e-mail or other electronic notice forwarded to a client, such as an alert indicating that a security has reached a specified price, must be recorded and preserved in accordance with Rule 17a-4(b)(4) (or Rule 17a-4(b)(11) if such communication is generated by an “internal broker-dealer system,” as defined in Rule 17a-3) and FINRA Rule 4511.

Records	[Identify all records of electronic communications, web sites, e-mails, IM, text messages, chat room communications, electronic notices and other related communications.]
Where Maintained	[Identify all locations where the records of electronic communications described above are maintained.]
How Maintained	[Identify how the records of electronic communications described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the records of electronic communications described above.]
Responsible Person	[Identify the name of the person responsible for the records of electronic communications described above.]

## **VII. Account Records**

Rules 17a-3 and 17a-4 and various SRO rules require the preparation and preservation of certain records with respect to customer accounts.

#### **A. Account Profile Information**

Rule 17a-3(a)(9) sets forth certain records that must be preserved with respect to customer cash and margin accounts, including the following:

- > Name and address of the beneficial owner of the account;
- > Record of whether or not the beneficial owner of securities registered in the Company’s or its clearing agent’s (street) name objects to disclosure of the owner’s name, address and positions to the issuers of the securities (except with respect to certain employee benefit plans); and
- > Signature of the owner of the account (only with respect to the persons authorized to transact business for the account).

More generally, under SEC Rule 17a-3(a)(17)(i)(A), the Company is required to create a record containing certain minimum information relating to accounts with a natural person as a customer or owner. The record must include the following information:

- > Customer’s name;

- > Tax identification number;
- > Address;
- > Telephone number;
- > Date of birth;
- > Employment status (including occupation and whether the customer is an associated person of a broker-dealer);
- > Annual income;
- > Net worth (excluding the value of the customer's primary residence);
- > Investment objectives;
- > Signature of the associated person, if any, responsible for the account; and
- > Indication of approval or acceptance of the account record by a principal of the Company.

For discretionary accounts, the Company must also include as part of the account record the dated signature of each customer granting discretionary authority and each natural person to whom discretionary authority is granted.

For accounts with more than one owner, the record should include personal information for each owner of the account, unless the personal information for each owner is the same. If financial information is the same, it can also be combined. The record should reflect the investment objectives for the account and not the overall investment objectives for the owner(s) of the account. While the Company must create a single record for each account, that record may consist of more than one document, such as two or more account applications.

The Company must make a good faith effort to collect the required account record information, and will bear the burden of explaining missing information if requested by a securities regulatory authority. However, under Rule 17a-3(a)(17)(i)(C), the Company is not required to include an explanation of a customer's neglect, refusal, or inability to provide the required account record information.

Under Rule 17a-3(a)(17)(ii), the Company must maintain for each discretionary account of a natural person a record of the dated signature of each customer or owner of the account granting discretionary authority over the account, and the dated signature of the natural person to whom discretion was granted.

Records	[Identify all account records prepared by the Company, including new account opening forms, account cards, written customer agreements, guarantees of accounts, powers of attorney and other related documents containing the account record information described above.]
Where Maintained	[Identify all locations where the account records described above are maintained.]
How Maintained	[Identify how the account records described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the account records described above.]

Responsible Person	[Identify the name of the person responsible for the account records described above.]
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## B. Periodic Updates of Account Record Information

Under Rule 17a-3(a)(17)(i)(B), the Company must make a record indicating that it has periodically furnished to customers copies of account record information for confirmation. The Company's account record confirmation responsibilities generally pertain to: (i) the opening of accounts and renewal of account information, (ii) the change in the customer's investment objectives, and (iii) the change in name or address of the customer.

### Opening and Renewal of Accounts

Specifically, the Company must furnish each customer or owner of an account a complete record of the information required for the account described above, other than tax identification number and date of birth, within 30 days after the account is opened for confirmation of the information provided. Thereafter, the Company must furnish the same complete record of account information to customers for confirmation at least every three years. The account record provided for confirmation must contain an explanation of the terms used with respect to investment objectives. It must also include a prominent statement that the customer or owner should mark any corrections and return the account record to the Company and notify the Company of any subsequent changes to the information. The information with respect to new accounts may be transmitted with the first statement mailed to the customer after the account is opened. Thereafter, the information may be sent separately or included with the customer's account statement or other mailings.

### Change in Investment Objectives

The Company must send a complete record of the updated account information on file with the Company to each customer or owner of the account and the registered representative responsible for the account within 30 days after receiving notice of any change in the account's investment objectives or, absent such notice, within 30 days after making the change. The notification may be made with the next statement scheduled to be mailed to the customer or owner.

### Change in Name or Address

For any change of name or address of the customer or owner of an account, the Company must send a notice confirming the change in name or address to the customer's old address (or to each joint owner) and the registered representative responsible for the account within 30 days after the notice of change is received.

### Suitability Determination and the Exception from Account Record Information for Accounts where No Suitability Determination Is Required

The purpose of the customer account record requirement is to ensure that the Company can accurately review customer accounts to determine if they are suitable for the purchase or sale of securities. Thus, where the Company does not recommend the purchase or sale of securities or exercise discretion over the account, and therefore is not required under federal or SRO rules to make a suitability determination, the Company is exempt from creating an account record for that customer account.

Pursuant to FINRA Rule 2111, before the Company may recommend the purchase, sale or exchange of any security to a customer, it must have reasonable grounds for believing that the recommendation is suitable for the customer based on certain facts disclosed by the customer. Specifically, where the Company is making a recommendation to a non-institutional customer, a suitability determination should consist of a review of facts such as the customer's:

- > Age;
- > Tax status;
- > Investments, financial situation and needs;

- > Investment objectives and experience; and
- > Investment time horizon, liquidity needs and risk tolerance.

If the Company has not recommended securities or other investments to the customer or exercised discretion over the customer's account, or performed other activities that require a suitability determination under the federal securities laws or SRO rules within the past 36 months, then there is no obligation to create the complete account record described above, or to confirm the information periodically as discussed above. If, at any time, a person associated with the Company would recommend securities or otherwise engage in conduct that would subject the Company to a requirement to make a suitability determination, then the Company must obtain the requisite customer account information before taking such action. The Company would also be obligated to periodically furnish the customer with a copy of his or her account record for verification as discussed above.

Records	[Identify all records of updates to account record information prepared by the Company, including copies of account records furnished to customers for updating purposes, notices of changes to account record information, and other related documents.]
Where Maintained	[Identify all locations where the records of updates to account record information described above are maintained.]
How Maintained	[Identify how the records of updates to account record information described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the records of updates to account record information described above.]
Responsible Person	[Identify the name of the person responsible for the records of updates to account record information described above.]

### C. Written Account Agreements

Under Rule 17a-3(a)(17)(iii) the Company is required to create a record for each account of a natural person indicating that each customer or owner was furnished with copies of all written account agreements entered into after May 1, 2003. The Company is also required to make a record indicating that the customer or owner was provided with a fully executed copy of the agreement(s) at his or her request.

Records	[Identify all written account agreements prepared by the Company, including account agreements, margin agreements, option agreements and powers of attorney.]
Where Maintained	[Identify all locations where the written account agreements described above are maintained.]
How Maintained	[Identify how the written account agreements described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the written account agreements described above.]
Responsible Person	[Identify the name of the person responsible for the written account agreements described above.]

## D. Account Statements

In addition, NASD Rule 2340 provides that the Company must furnish each account holder with a statement of account (account statement) at least once every calendar quarter (monthly if there is account activity) describing securities positions, money balances or other account activity, including purchases, sales, interest credits or debits, credits or charges, dividend payments, transfer activity, journal entries of securities or funds or the receipt or delivery of securities.

Records	[Identify all account statements prepared by the Company.]
Where Maintained	[Identify all locations where the account statements described above are maintained.]
How Maintained	[Identify how the account statements described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the account statements described above.]
Responsible Person	[Identify the name of the person responsible for the account statements described above.]

## VIII. Transaction Records

Rules 17a-3(a)(1) through (7) contain the SEC recordkeeping requirements for the preparation and preservation of transaction blotters, ledgers, memoranda (tickets) and other trade records. Rule 10b-10 under the Exchange Act and Rule 17a-3(a)(8) contain the federal requirements with respect to trade confirmations.

### A. Trade Blotters and Ledgers

Under Rules 17a-3(a)(1) through (5), the Company must make and preserve blotters (records of original entry) and ledgers (final records) of transactions reflecting the Company's daily trading activity as follows:

- > Blotters or other records of original entry containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers, all receipts and disbursements of cash, and all other debits and credits). The records must show: (i) the account for which each transaction was effected; (ii) the name and amount of securities; (iii) the unit price and aggregate purchase or sale price; (iv) the trade date; and (v) the name or other designation of the person from whom purchased or received or to whom sold or delivered.
- > Ledgers or other records reflecting all assets and liabilities, income and expense and capital accounts.
- > Ledger accounts or other records itemizing separately as to each customer and proprietary cash and margin account, all purchases, sales, receipts and deliveries of securities and commodities for the account, and all other debits and credits to the account.
- > A securities record or ledger reflecting separately for each security as of the clearance dates all "long" or "short" positions (including securities in safekeeping and securities that are the subject of repurchase or reverse repurchase agreements) carried by the Company for its own account, its customers or others, and showing the location of all securities long and the offsetting position to all securities short, including long and short security count differences (by date of physical count and verification discovered), and the name or designation of the account in which each position is carried.
- > Ledgers or other records reflecting the following: (i) securities in transfer; (ii) dividends and interest received; (iii) securities borrowed and securities loaned; (iv) monies borrowed and monies loaned (together



with a record of collateral and any substitutions in collateral); (v) securities failed to receive and failed to deliver; (vi) all long and short securities record differences arising from the examination, count, verification and comparison thereof pursuant to FOCUS reporting and other periodic reporting obligations under Rules 17a-5, 17a-12 and 17a-13 under the Exchange Act (by date of examination, count, verification and comparison showing for each security the number of long or short count differences); and (vii) repurchase and reverse repurchase agreements.

Records	[Identify all trade blotters and ledgers prepared by the Company.]
Where Maintained	[Identify all locations where the trade blotters and ledgers described above are maintained.]
How Maintained	[Identify how the trade blotters and ledgers described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the trade blotters and ledgers described above.]
Responsible Person	[Identify the name of the person responsible for the trade blotters and ledgers described above.]

## B. Brokerage Order Tickets

Under Rule 17a-3(a)(6), the Company must make a memorandum (trade ticket) for each brokerage order for the purchase or sale of securities, whether executed or unexecuted, that includes the following information:

- > All terms and conditions of the order, internal instructions for handling the order, modification or cancellation of the order, and whether the order was subject to any discretionary authority;
- > The account for which the order was entered;
- > The time the order was received (even if the order is subsequently transmitted for execution);
- > The time the order was entered (i.e., the time the Company transmitted the order or instruction for execution). (If this time is simultaneous or nearly simultaneous with the time the order was received, separate entries are not required so long as it is clear from the order ticket that they were simultaneous.);
- > The price at which the order was executed;
- > The time of execution or cancellation of the order;
- > Any modifications to the order; and
- > The identity of the person associated with the Company responsible for the account, if any, and any other person who entered or accepted the order on behalf of the customer<sup>4</sup> or a notation that the customer entered the order into an electronic system.

The Company is not required to make a brokerage order ticket for any purchase, sale or redemption of a security on a subscription way basis directly with the issuer, in which the Company merely forwards such documents to the issuer. This exemption includes, but is not limited to, transactions relating to the purchase of

<sup>4</sup> If an associated person is identified by a number or code, or if the Company assigns a code to a computer terminal, then an identification number or code may be recorded on the order ticket in lieu of the person's name. Where an identification number or code is recorded instead of a name, however, the Company must be prepared to identify the person who entered the order at the request of a securities regulator.

mutual funds or variable annuities, or automatic dividend reinvestments. In these situations, the Company must keep a copy of the application, subscription agreement or other document in lieu of an order ticket.

Records	[Identify all brokerage order tickets prepared by the Company.]
Where Maintained	[Identify all locations where the brokerage order tickets described above are maintained.]
How Maintained	[Identify how the brokerage order tickets described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the brokerage order tickets described above.]
Responsible Person	[Identify the name of the person responsible for the brokerage order tickets described above.]

### C. Dealer Trade Tickets

Under SEC Rule 17a-3(a)(7), the Company must prepare a memorandum or trade ticket for each purchase or sale for the Company's own account showing the price and time of execution. In addition, where the transaction is with a customer (other than a broker-dealer), the Company must prepare a trade ticket for the customer order showing:

- > The time of receipt of the order;
- > The terms and conditions of the order;
- > The account in which it is entered;
- > Any modifications to the order; and
- > The identity of the associated person, if any, responsible for the account, and any other person who entered or accepted the order on behalf of the customer (subject to the same specifications and exceptions discussed above in connection with brokerage orders).

Records	[Identify all dealer trade tickets prepared by the Company.]
Where Maintained	[Identify all locations where the dealer trade tickets described above are maintained.]
How Maintained	[Identify how the dealer trade tickets described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the dealer trade tickets described above.]
Responsible Person	[Identify the name of the person responsible for the dealer trade tickets described above.]

### D. Confirmations and Notices with Respect to Customers' Accounts

Under Rule 17a-3(a)(8), the Company is required to prepare confirmations for all purchase and sale transactions on behalf of customers. Rule 10b-10 under the Exchange Act contains the SEC's confirmation delivery requirement and specifies the information that must be described on customer confirmations. All

confirmations, as well as copies of all repurchase and reverse repurchase agreements, notices of debits and credits for securities, cash and other items with respect to customer accounts must be preserved.

Records	[Identify all confirmations and notices with respect to customer accounts prepared by the Company.]
Where Maintained	[Identify all locations where the confirmations and notices described above are maintained.]
How Maintained	[Identify how the confirmations and notices described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the confirmations and notices described above.]
Responsible Person	[Identify the name of the person responsible for the confirmations and notices described above.]

## IX. Investment Banking Due Diligence Records

There is no definite consensus with regard to documents to be preserved in connection with an investment banking due diligence examination apart from the correspondence and other records that must be maintained in accordance with the recordkeeping requirements discussed above.

A more conservative retention policy is commensurate with the Company's elevated professional standards and will better serve to demonstrate and, if necessary, to defend the proper due diligence performed by the Company. It is very important to apply the policy consistently on a Company-wide basis. In this regard, the Company should preserve copies of checklists outlining the steps in the examination, all records reviewed, memoranda prepared and handwritten notes prepared in the course of the investigation.

### What To Keep

The following is a list of documents and other materials that the Company should keep with respect to investment banking transactions, to the extent the record applies. This list is not exhaustive, but should be used as a guideline in creating a comprehensive due diligence file:

- > Correspondence sent and received in connection with the transaction;
- > Documents filed with the SEC, federal and state regulators, FINRA, the stock exchanges and other regulatory or quasi-regulatory organizations;
- > Final forms of disseminated documents (e.g., blue sky memoranda, invitation letters, etc.);
- > Subject matter files relating to the transaction process, as opposed to the due diligence investigation (e.g., participants lists, legal research on SEC or FINRA issues, etc.);
- > Attorney-client documents, if any, with the files appropriately marked;
- > Executed agreements and offering documents (e.g., letters of intent, underwriting agreements, agreements among underwriters, selected dealer agreements, foreign wrappers, private placement memoranda, offering memoranda, subscription agreements, etc.);
- > Effectiveness and closing documents (e.g., comfort letters, certificates, opinions, etc.);
- > Opinion backup materials;

- > Clean copies of some of the documents produced by the issuer during the course of the due diligence investigation;
- > Memoranda on due diligence meetings and interviews, including dates, attendees and topics discussed;
- > Memoranda on documents reviewed, including summaries or copies as appropriate;
- > Memoranda on visits to facilities, including dates, attendees and discussion;
- > Memoranda on discussions and interviews with third-parties, including dates, attendees and topics discussed;
- > Outlines or checklists used in interviewing issuer and third-party personnel;
- > Director and office questionnaires and certificates; and
- > Reports by investigators or other independent experts engaged to perform parts of the examination.

Many of the documents mentioned above will constitute written agreements or communications received or sent by the Company subject to the recordkeeping provisions of Rules 17a-3 and 17a-4 under the Exchange Act.

Records	[Identify all investment banking due diligence records prepared by the Company.]
Where Maintained	[Identify all locations where the investment banking due diligence records described above are maintained.]
How Maintained	[Identify how the investment banking due diligence records described above are maintained (i.e., paper, microfiche, optical disk, other).]
How Retrieved/Reproduced	[Identify how the Company retrieves or reproduces the investment banking due diligence records described above.]
Responsible Person	[Identify the name of the person responsible for the investment banking due diligence records described above.]

## X. Record Administration

Rules 17a-3 and 17a-4 generally require the preparation, preservation and timely production of records at the relevant office of the Company. The rules also provide for the management of such records by knowledgeable individuals of the Company and technical requirements for the storage records.

### A. Office Location and Production

Under Rule 17a-4, the Company is required to maintain certain records at the office to which they relate for a period of two years. If an office is a private residence where one or more associated persons who are immediate family members reside, and it is not held out to the public as an office, and neither funds nor securities are handled there, the records for that office may be held at another location in the state. The records that must be maintained at the office location include the following: blotter records; order tickets; personnel records for associated persons located at the office; account record information; customer complaint information; customer correspondence; transaction based compensation and other compensation arrangements for associated persons at the office; list of supervisory principals; supervisory procedures; and persons responsible for records at the office.

Alternatively, the Company may maintain the records for all of its offices in one location, provided the Company can, upon the request of a securities regulatory authority, promptly produce the records at the office to which the records relate or at such other place as directed by the regulatory authority. The SEC interprets “promptly” to mean that the records must be capable of being produced on the same day the request is made.

With regards to maintaining records for a foreign office, the Company is not required to maintain or produce those records at the foreign office pursuant to Rule 17a-3. Maintenance of those records at the company’s main office is sufficient.

## **B. Persons to Explain Records and Their Content**

Rule 17a-3(a)(21) requires a record listing, by name or title, all personnel at an office who, without delay, can explain the types of records the Company maintains at that office, and the information contained in those records. Accordingly, the Company must be able to explain promptly to regulators how it makes, keeps and titles its records.

**The Company presently conducts its business activities through its main office. This designated Office of Supervisory Jurisdiction (“OSJ”) is at [ADDRESS]. [List all other OSJs and branch offices.]**

**The following sets forth the names of the persons associated with the Company at each office who are designated to explain the types of records the Company maintains at that office: [List all associated persons by name, title, office and department.]**

## **C. Record Storage Technology**

Rule 17a-4 prescribes minimum standards for the preservation of records required to be maintained by the Company. The rule permits the Company to store records (i) in paper form, (ii) on microfilm or microfiche, or (iii) using electronic storage media.

If the Company uses microfilm or microfiche for the preservation of records, it must ensure that the following measures are taken:

- > Facilities must be maintained to protect the records and to reproduce them in an easily readable format;
- > The microfilm or microfiche must be organized and indexed in a manner that permits the immediate location of any particular record; and
- > A second copy of the records must be maintained at a separate location.

The 1997 amendments to Rule 17a-4 provide for the electronic storage of records. Rule 17a-4 does not limit the Company to any particular technology. Rather, the rule specifies certain standards that must be met by the electronic storage technology chosen by the Company. Under Rule 17a-4(f), the technology must meet the following requirements for use of electronic storage media:

- > It must preserve the records exclusively in a non-rewritable, non-erasable format, also known as write-once-read-many (WORM) technology;
- > It must verify automatically the quality and accuracy of the storage media recording process;
- > It must serialize the original record, and, if applicable, duplicate units of storage media, and time and date the record; and
- > It has to have the ready capacity to download indexes and records.

Although the Company may use any electronic storage technology that meets these requirements, the Company must notify FINRA, as its designated examining authority, at least 90 days prior to using any

electronic storage technology other than “optional disk storage” technology, which has already been accepted by the SEC and FINRA as meeting these requirements.

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