

Broker-Dealer Recordkeeping Requirements

By Ernest E. Badway, Joshua Horn and Benjamin H. McCoy



Ernest E. Badway is a partner at Fox Rothschild LLP and co-chair of the firm's Securities Industry practice. He advises clients on a broad range of business matters, including securities, intellectual property, employment, corporate governance, partnership disputes, contracts and litigation. He also counsels clients on the creation of broker-dealers, hedge funds and investment advisers as well as compliance and regulatory matters relating to their operations.



Joshua Horn is a partner at Fox Rothschild LLP and co-chair of the firm's Securities Industry practice. He writes about industry developments and trends for the "Securities Compliance Sentinel" blog. He also serves as co-chair of the firm's Cannabis Law practice.



Benjamin H. McCoy is an associate in the Litigation Department at Fox Rothschild LLP. He writes frequently about the securities industry and is a co-author of the e-book "Private Equity and Hedge Funds: Regulatory Analysis and Structural Overview."

Introduction*

Registered broker-dealers (BDs) are subject to a variety of recordkeeping requirements that are promulgated and enforced by the U.S. Securities and Exchange Commission (Commission or SEC), the various states, and self-regulatory agencies such as the Financial Industry Regulatory Authority (FINRA). These requirements have long been recognized as vital for customer protection, fraud prevention, and general regulatory activities. Thus, in a constantly evolving regulatory environment, failure to abide by recordkeeping requirements is not only a bad business practice, but will subject BDs to severe sanctions.

Section 17(a) of the Securities Exchange Act of 1934,¹ as amended (Exchange Act), and its corresponding regulations under Rule 17a (17 C.F.R. § 240.17a-1 et. seq.) set forth the primary recordkeeping rules for BDs. Additionally, FINRA may also enforce Section 17(a) and impose its own recordkeeping requirements. See, e.g., FINRA Rule 3110 (requiring each member to make and preserve records in accordance with Rules 17a-3 and 17a-4). Further, state securities regulators often impose their own recordkeeping requirements, although Section 103 of the National Securities Markets Improvement Act of 1996² prohibits states from imposing requirements that are materially different from those of the Commission. Ironically, Section 17(a) does not provide for a private cause of action, despite its underlying customer protection purpose. See *Touche Ross & Co. v. Redington*, 442 U.S. 560, 560–61 (1979) which holds that Section 17(a) does not give rise to a private cause of action.

In any event, any discussion of BD recordkeeping requirements begins with Exchange Act Rules 17a-3³ and 17a-4,⁴ which operate as the touchstone of the Commission's recordkeeping framework. Together, they identify the records that a firm must create and preserve in addition to the format, medium, and time period. Supplementing these rules are reporting requirements and various other, more nuanced regulations propounded by self-regulatory organizations such as FINRA.

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Rule 17a-3 Certain Records

Rule 17a-3 sets forth the various books and records that BDs have to create and maintain. As discussed further below, a review of Rule 17a-3 reveals a broad assortment of records, including, but not limited to, purchase and sale documents, source documents, long/short position documents, business records, associated person records, and/or customer account information.

Inherently, Rule 17a-3 requires BDs to create records accurately. See *S.E.C. v. Goble*, 682 F.3d 934, 946 (11th Cir. 2012) (“The books and records requirements at § 17(a) of the Exchange Act, 15 U.S.C. § 78q(a), and Rule 17a-3, 17 C.F.R. § 240.17a-3 thereunder, required North American to maintain **accurate** records” (emphasis added)). Notably, the accuracy requirement applies to all information found in the applicable records, regardless of whether Rule 17a-3 requires such information to be created. See *S.E.C. v. Badian*, 2008 U.S. Dist. LEXIS 64661 (S.D.N.Y. Aug. 22, 2008) (“[E]ven assuming no

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legal obligation to furnish particular information, there is an obligation upon voluntarily supplying that information, to be truthful.”).

Rule 17a-3 also includes fraud prevention aspects. For example, Rule 17a-3(a) lists detailed information that must be contained in documents relating to sales transactions, such as order tickets and blotters. Regulators will often request these records, which, coupled with the detailed instructions set forth in Rule 17a-3, ensure that they may efficiently identify sales practice violations.

Similarly, Rule 17a-3(a)(6) requires that certain records such as, among other things, transaction orders, contain the time the order was received and executed so that the Com-

mission may thwart fraudulent schemes such as late trading.⁵

Regulators often cite Rule 17a-3 in conjunction with other regulations, such as anti-fraud provisions, when bringing charges against BDs. While generally fraud violations can only be brought against a BD if it acts with scienter, when charging recordkeeping violations, regulators usually have no such requirement. See *S.E.C. v. Drexel Burnham Lambert Inc.*, 837 F. Supp. 587, 610 (S.D.N.Y. 1993) (“Scienter need not be shown to prove a violation of Section 17(a)(1) of the Exchange Act and the rules thereunder”). Thus, Rule 17a-3 provides regulators with a fallback option when there is evidence that a fraud has occurred but evidence of scienter is lacking. See *Goble*, 682 F.3d at 947 (finding violation of Rule 17a-3 despite the fact that legal requirements for Exchange Act § 10(b) violations were lacking).

However, when there is scienter, Rule 17a-3 provisions may also be used to establish an aiding and abetting violation under Exchange Act Section 20(e).⁶ To impose aiding and abetting liability, the Commission (or self-regulatory body) must show (1) a primary violation of the securities laws, (2) that the aider and abettor had knowledge of the primary violation, and (3) that the aider and abettor provided substantial assistance in the commission of the primary violation.⁷ Aiding and abetting violations are most often used to target individual members of BDs, who may not be the primary violator but nonetheless contributed to the recordkeeping

violations. See, e.g., *VanCook*, 653 F.3d at 141–142 (finding stockbroker aided and abetted recordkeeping violation despite the fact it wasn’t within his job duties to create the records).

Rule 17a-4

Rule 17a-4 specifies the length of time and manner that the records set forth in Rule 17a-3 must be preserved. As set forth in the table below, this rule also requires additional records to be preserved although the specific records are not enumerated in Rule 17a-3. These additional records are predominantly created in the natural course of doing business as BDs and

include corporate formation documents, checks, bank statements, audit reports, internal control manuals, and reports made in response to inquiries by governing authorities.

Retention Periods

This Rule was designed to ensure that the Commission can quickly and efficiently obtain access to BDs' books and records. Naturally, the retention time and method of retention turn on the type of records at issue. There are three distinct retention periods:

- **Life of the broker-dealer.** Includes formational documents of BDs, such as the articles of incorporation.
- **Six years from an operative date.** Includes customer account records in addition to trading records such as blotters, general ledgers, security position records, and customer ledgers, among other things.
- **Three years from an operative date.** Includes compliance manuals, associated person records, working papers, powers of attorney, written agreements entered into by the BD, and communications that relate to the BD's business, among other things.

It is important to note that the retention periods do not preempt other non-securities related requirements. Consequently, BDs should not automatically delete records when the retention period lapses before ensuring there are no other legal requirements that mandate their retention.⁸ For example, certain records may need to be kept longer for tax reasons. A full list of the retention periods for each of the records required to be maintained is set forth in the table below.

Method of Preservation

The method of preservation component requires that any records named in Rule 17a-3 be kept in an accessible place. See Rule 17a-3(a) and (b). This provision has been interpreted to mean that the records must be kept in a readily accessible location, such as on the premises or at a nearby location. Additionally, the records must be filed in such a way that they can be easily identified or retrieved. The accessible place requirement lasts for two years, although such records will need to be preserved for longer periods of time to comply with their applicable retention periods.

Medium of Storage

The permissible medium of storage has evolved with technology, and BDs may currently preserve records on electronic storage media. See Rule 17a-4(f). Consistent with its fraud-prevention motives, Rule 17a-4(f) sets forth a variety of conditions designed to ensure the accuracy of the records and to prohibit BDs from falsifying and/or deleting records.⁹ In particular, any electronic storage media must meet the following conditions:¹⁰

- Preserve the records exclusively in a non-rewritable, non-erasable format.
- Verify automatically the quality and accuracy of the storage media recording process.
- Serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention the information placed on such electronic storage media.
- Have the capacity to readily download indexes and records preserved on the electronic storage media to any medium acceptable under Rule 17a-4(f) as required by the Commission or the self-regulatory organizations of which the BD is a member.

Additionally, BDs must notify their examining authority at least 90 days prior to their use of electronic storage media of their intent to do so.

It is important to recognize that Rule 17a-4 sets forth a standard that electronic storage media must satisfy, rather than the type of technology (for example, CD-ROMs) that must be used.¹¹ The standard permits the use of any technology that will preserve records in a format that will prohibit them from being altered or deleted. Systems that only preserve records or mitigate—rather than eliminate—the risk of a record being overwritten are unacceptable. For example, the use of password protection or other extrinsic security controls will not meet the Rule 17a-4 standard because such protections do not, by themselves, prevent a record from being changed or deleted. Any technology that allows a record to be overwritten or not preserved for the appropriate retention period is unacceptable. See *North v Smarsh, Inc.*, 2015 U.S. Dist. LEXIS 162551 (D.D.C. Dec. 4, 2015) (“ESI systems that are vulnerable to the ‘ability to overwrite or erase records stored on these systems’ are ‘non-compliant with Rule 17a-4(f).’”).

Communications

As noted above, Rule 17a-4 also requires BDs to preserve additional records that may not be enumerated in Rule 17a-3. Perhaps most notable is the requirement to preserve “originals of all communications received and copies of all communications sent” relating to the BDs’ “business as such.”¹² In light of the rapid advancements in communication platforms, this provision has proved to be particularly troublesome for BDs, who must remain cognizant that Rule 17a-4 is a standard-based rule that is meant to evolve with technology.

For example, in *In the Matter of J.P. Morgan Securities Inc.*, the Commission emphasized this principle in finding that Rule 17a-4 applies to electronic mail and not just physical documents.¹³ More recently, the Commission and self-regulatory authorities have issued guidance relating to the application of existing rules to communications stemming from the use of social media.¹⁴

Given an ever-changing technological landscape, BDs must be alert to the corresponding influence those changes will have on recordkeeping requirements. New technologies will not be exempt from recordkeeping requirements, and BDs must ensure that they will implement these new technologies while still complying with the established recordkeeping requirements.

Applicable FINRA Rules

Adding to the complex maze of recordkeeping requirements, self-regulatory organizations such as FINRA have also adopted numerous recordkeeping rules. In this regard, FINRA Rules 2210, 3110, 4511, 4513, and 4530 are particularly applicable.

FINRA Rule 2210

FINRA Rule 2210 relates to communications with the public. Within FINRA Rule 2210 is a requirement that BDs maintain all retail and institutional communications for three years and include, among other things, the dates of use and the identity of the principal who approved the communication.¹⁵ All correspondence must be maintained for six years under FINRA Rules 3110 and 4511.¹⁶ Additionally, all communications’ records must be kept in a format and media that comply with Rule 17a-4 under the Exchange Act.

FINRA Rule 2210(f)(3) requires BDs to document the education and training of its associated persons who make public appearances on the BDs’ policies and procedures and to maintain all records.

FINRA Rule 3110: Supervision

FINRA Rule 3110 contains the supervision requirements for BDs. From a broad perspective, FINRA Rule 3110 requires BDs to implement a written supervisory system to ensure that all associated persons of the firm comply with the numerous rules and regulations applicable to BDs. At a minimum, a BD’s supervisory system must provide for the following:¹⁷

- Establishment and maintenance of written procedures
- Designation of an appropriately registered principal with authority to carry out the supervisory responsibilities of the member for each business it engages for which registration as a broker-dealer is required
- Registration and designation as a branch office or an office of supervisory jurisdiction (OSJ) of each location, including the main office
- Designation of one or more appropriately registered principals in each OSJ and one or more appropriately registered representatives or principals in each non-OSJ branch office with authority to carry out the supervisory responsibilities assigned to that office by the BD
- Assignment of each registered person to an appropriately registered representative or principal who shall be responsible for supervising that person’s activities
- Use of reasonable efforts to determine that all supervisory personnel are qualified, either by virtue of experience or training
- Participation of each registered representative and registered principal in an interview or meeting conducted by the designated persons at which compliance matters relevant to the activities of the representative and principal are discussed (to be held at least annually)

Since FINRA wants to ensure that supervisory and inspection responsibilities are properly documented, FINRA Rule 3100 also contains numerous recordkeeping provisions.

FINRA Rule 3100(b)(7) requires a copy of a BD’s written supervisory procedures—encompassing the above-

referenced requirements—to be kept and maintained in each OSJ and at each location where supervisory activities are conducted.

FINRA Rule 3100(b)(4) requires a firm to have supervisory procedures to review incoming and outgoing written correspondence and internal communications, including emails, relating to the BDs' business. The registered principal must review correspondence and internal communications, and this review must be documented in writing. Normally, any system for a review of correspondence should identify the following:¹⁸

BDs should not automatically delete records when the retention period lapses before ensuring there are no other legal requirements that mandate their retention.

- Name of the reviewer
- Date of the review
- Firm's actions taken as a result of any significant regulatory issues identified during the review

As noted above, BDs can use automated systems to conduct such review but must be aware of the limitations of those systems and implement additional review procedures to fill any gaps.¹⁹

FINRA Rule 3110(b)(5) requires firms to implement "procedures to capture, acknowledge, and respond to all written (including electronic) customer complaints." While the rule does not explicitly encompass oral complaints, FINRA Regulatory Notice 14-10 has made it clear that BDs should have a mechanism to allow customers to put their complaints in writing. Of course, the failure to address a customer complaint will violate FINRA Rule 2010. FINRA Rule 4513 requires that customer complaints relating to the OSJ be preserved at that OSJ for at least four years.

FINRA Rule 3100(c) requires BDs to conduct an internal inspection that is reasonably designed to detect and prevent violations of applicable laws and regulations. A written record of the date upon which each review and inspection was conducted must be retained.

FINRA Rule 4511

FINRA Rule 4511 clarifies that BDs are obligated to (1) make and preserve books and records in compliance with the Exchange Act and applicable FINRA Rules and (2) preserve the books and records in a format and media that complies with Exchange Act Rule 17a-4.

If the books and records pertain to an account, the retention period is for six years after the date the account is closed; otherwise, the retention period is for six years after the books and records are made.

FINRA Rule 4513

FINRA Rule 4513 requires firms to keep and preserve files of all written customer complaints in each OSJ. This rule covers only complaints that relate to the applicable OSJ and any complaints that relate to activities supervised from that office. Compliance with this Rule

can be met by producing the records at the OSJ upon request by FINRA.

FINRA Rule 4513 sets the retention period for customer complaint records at four years, which corresponds to FINRA's commitment to conduct routine examinations at least every four years. Note that this is longer than the retention period under the Exchange Act, which requires complaint records to be preserved for only three years.²⁰

FINRA Rule 4530

FINRA Rule 4530(a) requires BDs to promptly report certain enumerated events to FINRA no later than 30 calendar days after the firm knows, or should have known, of their existence. In general, these events cover disciplinary and legal matters relating to the BD or its associated persons.

FINRA Rule 4530(b) speaks to associated persons and requires BDs to report to FINRA when the BD or an associated person of the firm violates any securities, insurance, commodities, financial, or investment-related laws, rules, regulations, or standards of conduct of any domestic or foreign regulatory body or self-regulatory organization. Again, the time limit for reporting is 30 calendar days after

the investigation concludes, or reasonably should conclude.

Under other FINRA and Exchange Act Rules, BDs must preserve the records of any complaints leading to the investigation, as well as records of the investigation itself.

Exchange Act Rule 17a-5's Basic Reporting Rule for BDs

While Rules 17a-3 and Rule 17a-4 provide for the creation and preservation of records, Rule 17a-5 imposes affirmative reporting obligations on BDs.²¹ The reporting requirement is used by the Commission to ensure compliance with, among other things, the net capital rule (Exchange Act Rule 15c3-1).²² This Rule requires BDs to maintain adequate financial resources and a minimum amount of net liquid assets.

Under Rule 17a-5, BDs must calculate and report their net liquid assets and the minimum amount of net liquid assets that they are permitted to have. This provides the Commission with an early warning sign to enable it to take protective measures before a BD collapses.²³

The primary report required under Rule 17a-5 is the Financial and Operational Combined Uniform Single (FOCUS) Report. This report must be filed annually and contain audited financial statements, supporting schedules, and supplemental reports. Additionally, BDs may be required to file certain monthly and/or quarterly reports, as applicable.

Recently, in response to the Madoff scandal and the subsequent enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Commission amended the reporting requirements of Rule 17a-5.²⁴ The new amendments require BDs to file new types of reports with the SEC and require clearing and carrying BDs to allow the Commission to access audit documentation.

Table of Records and Retention Periods

The following table provides an overview of the major records that BDs must create and maintain, together with their corresponding retention periods:

Broker-Dealer Recordkeeping Requirements

This table is submitted courtesy of Ernest E. Badway, Joshua Horn, and Benjamin H. McCoy

Applicable Rule	Records	Retention Period
17a-3(a)(1)	Records of Original Entry: Blotters that itemize the following on a daily basis: <ul style="list-style-type: none"> • all purchases and sales of securities; • all receipts and deliveries of securities; and • all receipts and disbursements of cash and other debits/credits. <i>These records must contain all the pertinent parts of every transaction for the day, such as: (i) the account used to effectuate each transaction; (ii) the name and amount of securities; (iii) the unit and aggregate purchase or sale price; (iv) the trade date; and (v) the name of the person that either sold or purchased the securities.</i>	6 years (of which, 2 years must be in an accessible place)
17a-3(a)(2)	Ledgers reflecting: <ul style="list-style-type: none"> • assets and liabilities; • income and expenses; and • capital accounts. 	6 years (of which, 2 years must be in an accessible place)
17a-3(a)(3)	Ledgers or records itemizing: <ul style="list-style-type: none"> • information for each cash and margin account of every customer and of the BD; • all purchases, sales, receipts and deliveries of securities and commodities for such accounts; and • all other debits and credits to such accounts. 	6 years (of which, 2 years must be in an accessible place)
17a-3(a)(4)	Ledgers reflecting: <ul style="list-style-type: none"> • securities in transfer; • dividends and interest received; • securities borrowed and securities loaned; 	3 years (of which, 2 years must be in an accessible place)

	<ul style="list-style-type: none"> • moneys borrowed and moneys loaned (along with any corresponding collateral); • securities failed to receive and deliver; • all long and short securities record differences pursuant to periodic reporting obligations, such as FOCUS reporting; and • repurchase and reverse repurchase agreements. 	
17a-3(a)(5)	<p>A ledger or record for each security reflecting:</p> <ul style="list-style-type: none"> • all long and short positions carried as of the clearance date; • the location of all securities long and the offsetting position to all securities short; • long and short security count differences classified by the date of the physical count and verification in which they were discovered; and • the name or designation of the account in which each position is carried. 	6 years (of which, 2 years must be in an accessible place)
17a-3(a)(6)	<p>A trade ticket (i.e., memorandum) for Brokerage orders, and any other instructions for the purchase or sale of securities (given or received), whether executed or unexecuted. The memorandum shall include:</p> <ul style="list-style-type: none"> • the terms and conditions of the order, instructions, modification or cancellation, and whether the order was subject to any discretionary authority; • the account for which entered; • the time the order was received; • the time of entry; • the price at which executed; 	3 years (of which, 2 years must be in an accessible place)

	<ul style="list-style-type: none"> the identity of each associated person responsible for the account (if any), and any other person who entered or accepted the order on behalf of the customer (subject to exemptions); the time of execution or cancellation; and the identity the account for which entered. 	
17a-3(a)(7)	<p>A trade ticket (memorandum) for the purchase or sale for the BDs own account showing the price and time of execution. Where the transaction is with a customer other than another BD, a trade ticket for the customer order showing:</p> <ul style="list-style-type: none"> the time of receipt; the terms and conditions of the order and of any modification thereof; the account for which it was entered; and the identity of each associated person responsible for the account (if any), and any other person who entered or accepted the order on behalf of the customer (subject to exemptions). 	3 years (of which, 2 years must be in an accessible place)
17a-3(a)(8)	<p>Copies of:</p> <ul style="list-style-type: none"> confirmations of all purchases and sales of securities, including all repurchase and reverse repurchase agreements; and notices of all other debits and credits for securities, cash, and other items for the account of customers and partners of the BD. 	3 years (of which, 2 years must be in an accessible place)
17a-3(a)(9)	<p>A record of each cash and margin account with the BD indicating:</p> <ul style="list-style-type: none"> the name and address of the beneficial owner of the account; 	3 years (of which, 2 years must be in an accessible place)

	<ul style="list-style-type: none"> • whether the beneficial owner of securities registered in the name of the BD or its clearing agency or nominee objects to disclosure of his or her identity, address and securities positions to issuers (except for exempt employee benefit plan securities as defined in Section 240.14a-1(d)); and • for margin accounts, the signature of the owner. For joint accounts or the accounts of a corporation, this requirement only requires the signature for the person authorized to transact business for the account. 	
17a-3(a)(10)	<p>A record of all puts, calls, spreads, straddles and other options:</p> <ul style="list-style-type: none"> • in which the BD has any direct or indirect interest; or • which the BD has granted or guaranteed, <p>These records must contain, at least, an identification of the security and the number of units involved. <i>Consult 17a-3(10) for additional requirements for an OTC derivatives dealer.</i></p>	3 years (of which, 2 years must be in an accessible place)
17a-3(a)(11)	<p>A record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date, pursuant to Section 240.15c3-1.</p> <p><i>Exemptions:</i></p> <ul style="list-style-type: none"> • <i>these computations need not be made for any BD unconditionally exempt from Section 240.15c3-1 by paragraph (b)(1) or (b)(3); and</i> • <i>for a BD who is exempt from Section 240.15c3-1 under paragraph (b)(2), these trial balances and computations must be prepared at least once a month.</i> 	3 years (of which, 2 years must be in an accessible place)
17a-3(a)(12)(i)	<p>A questionnaire or application for employment executed by each “associated person” of the BD, which is approved in writing by an authorized representative of the BD and contains the following information on the associated person:</p>	3 years from date employee terminated

	<ul style="list-style-type: none"> • name, address, social security number, and starting date of employment or association with the BD; • date of birth; • complete, consecutive statement of all the associated person’s business connections for at least the preceding ten years, including whether the employment was part-time or full-time; • a record of any denial of membership or registration, and of any disciplinary actions or sanctions, including any finding that the associated person was a cause of any disciplinary action or had violated the law; • a record of any denial, suspension, expulsion or revocation of membership or registration of any BD with which the associated person was associated in any capacity at the time entered; • a record of any permanent or temporary injunction entered against the associated person or any BD with which the associated person was associated in any capacity at the time entered; • a record of any arrest or indictment for any felony, or any misdemeanor pertaining to securities, commodities, banking, insurance or real estate, fraud, false statements or omissions, wrongful taking of property or bribery, forgery, counterfeiting or extortion, and the disposition of the foregoing; and • a record of any other name or names by which the associated person has been known or which the associated person has used. <p><i>Alternative: If the associated person has been</i></p>	
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	<i>registered as a registered representative of a BD or the associated person's employment has been approved by FINRA, or certain local exchanges, then retention of a full correct and complete copy of any and all applications for such registration or approval shall satisfy this requirement.</i>	
17a-3(a)(12)(ii)	<p>A record listing every associated person of the BD which shows, for each associated person:</p> <ul style="list-style-type: none"> • every office of the BD where the associated person regularly conducts business, handles funds, or effects transactions in, or induces or attempts to induce the purchase or sale of, any security for the BD; • the Central Registration Depository number (if any); and • every internal identification number or code assigned to the associated person by the BD. 	3 years from the date employee terminated
17a-3(a)(13)	Section 240.17f-2(d) (17 C.F.R. § 240.17f-2) records relating to the fingerprint cards of an employee.	3 years from the date employee terminated
17a-3(a)(14)	<p>Records relating to missing, lost, or counterfeit securities, including:</p> <ul style="list-style-type: none"> • Copies of all Forms X-17F-1A filed pursuant to Rule 17f-1 (17 C.F.R. § 240.17f-1); • all agreements between reporting institutions regarding registration or other aspects of Rule 17f-1; and • all confirmations or other information received from the Commission or its designee as a result of an inquiry. 	3 years
17a-3(a)(15)	<p>Rule 17f-2(e) records of notice for why a BD's member is exempt from fingerprinting requirements, containing:</p> <ul style="list-style-type: none"> • the name of the organization and whether the person is a BD; • identity of all persons who have satisfied the 	Life of the company

	<p>fingerprinting requirements of Rule 17(f)(2);</p> <ul style="list-style-type: none"> • identity of all persons who claim to be exempt from the fingerprinting requirements of Rule 17(f)(2); • a generic description of the nature of the duties of those who are exempt from the fingerprinting requirements; and • a description of the security measures utilized to ensure that only those who have been fingerprinted have access to keeping, handling, or processing of securities or monies, or the original books and records relating thereto. 	
17a-3(a)(16)	<p>Records relating to any “internal broker dealer system” – as defined in Rule 17a-3(a)(16)(ii) – that a BD is a sponsor of, including:</p> <ul style="list-style-type: none"> • a record of the BD’s customers that have access to an internal BD system; • daily summaries of trading in the internal BD system; and • time-sequenced records of each transaction effected through the internal BD system. 	3 years, 2 years in an accessible place
17a-3(a)(17)	<p>Customer Account Profile Information, including:</p> <ul style="list-style-type: none"> • the owner’s name; • tax identification number; • address and telephone number; • date of birth; • employment status and whether they are an associated person of a BD; • annual income and net worth; and 	6 years from the time the information was replaced or updated, or the account was closed

	<ul style="list-style-type: none"> the account's investment objectives. <p><i>Note: For joint accounts, the account record must include personal information for each joint owner who is a natural person, although the financial information for individual joint owners may be combined.</i></p>	
17a-3(a)(17)	<p>Records establishing confirmation and periodic updates of account record information. These records must indicate that:</p> <ul style="list-style-type: none"> the BD has furnished each customer or account owner a copy of the account record (<i>within 30 days of opening and at intervals of 36 months thereafter</i>); the BD has furnished a notification updating a change in the name or address of a customer or owner, or change in the account's investment objectives, to the customer or associated person responsible for the customer or owner's account; and the BD has furnished a copy of each written agreement entered into by the customer or owner. 	6 years from the time the information was replaced or updated, or the account was closed
17a-3(a)(18)	<p>A record for each associated person of each written customer complaint received by the BD concerning that associated person. This record shall include:</p> <ul style="list-style-type: none"> 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. <p><i>Alternative: Instead of a record, a BD may keep a copy</i></p>	3 years from the date the employee is terminated

	<i>of the original complaint in an individual file for each associated person along with a record of the disposition of the complaint.</i>	
17a-3(a)(18)	A record indicating that each customer has been furnished with a notice containing the address and telephone number of the department of the BD that can be contacted to make a complaint as to the account.	3 years from the date an employee is terminated
17a-3(a)(19)	<p>Compensation-related and sales records for each associated person, including:</p> <ul style="list-style-type: none"> • a list of each associated person’s purchases and sales of securities (including amount and description of the compensation); • all agreements pertaining to the relationship between the associated person and the BD, including: <ul style="list-style-type: none"> ○ compensation; ○ commission and concession schedules; ○ factors that are relevant to compensation; and • the method by which compensation is determined. 	
17a-3(a)(20)	A record confirming and documenting the BDs’ compliance with, and adoption of, policies relating to advertisements, sales literature, or any other communications with the public by a BD or its associated persons be approved by a principal.	3 years, (of which, 2 years must be in an accessible place)
17a-3(a)(21)	Record-Contact Person: A record for each office of the representative who can explain the types of records and information maintained at that office.	-Keep current -For prior versions, keep 3 years (of which, 2 years must be in an accessible place)
17a-3(a)(22)	A record listing of each principal of the Company responsible for establishing policies and procedures that are reasonably designed to ensure compliance with any applicable rules and regulations.	3 years (of which, 2 years must be in an accessible place)
17a-3(a)(23)	A record documenting the credit, market, and liquidity risk management controls established and maintained	

	<p>by the BD to assist it in analyzing and managing the risks associated with its business activities.</p> <p><i>Limitation: These records only need to be maintained if the BD has more than:</i></p> <ul style="list-style-type: none"> • \$1,000,000 in aggregate credit items as computed under Rule 15c3-3a; or • \$20,000,000 in capital, which includes debt subordinated in accordance with Rule 15c3-1d. 	
17a-4(d)	All corporate documents, including but not limited to articles of incorporation, minute books, stocks certificate books, Form BD and any amendments.	Life of the company
17a-4(b)(2)	All checkbooks, bank statements, cancelled checks, and cash reconciliations.	3 years (of which, 2 years must be in an accessible place)
17a-4(a)(3)	All bills receivable or payable, paid or unpaid, relating to the business of the BD as such.	3 years (of which, 2 years must be in an accessible place)
17a-4(b)(4)	Originals of all communications received and copies of all communications sent by the BD relating to its business as such.	3 years (of which, 2 years must be in an accessible place)
17a-4(b)(5)	All trial balances, computations of aggregate indebtedness and net capital, financial statements, branch office reconciliations, and internal audit working papers, relating to the business of the BD as such.	3 years (of which, 2 years must be in an accessible place)
17a-4(b)(6)	All guarantees of accounts, powers of attorney or other evidence of the granting of discretionary authority over an account, including copies of any resolutions granting an agent the power to act on behalf of a corporation.	3 years (of which, 2 years must be in an accessible place)
17a-4(b)(7)	All written agreements entered into by the BD relating to the BD's business, including account agreements.	3 years (of which, 2 years must be in an accessible place)
17a-4(b)(8)	Records relating to audited annual reports and audited financial statements.	3 years (of which, 2 years must be in an accessible place)

		place)
17a-4(b)(9)	Current description of the procedures the BD utilizes to comply with the possession or control requirements if the BD is subject to the requirements of Rule 15c3-3 relating to possession or control of fully paid and excess margin securities.	3 years (of which, 2 years must be in an accessible place)
17a-4(b)(10)	For over-the-counter derivatives dealers, the records required to be made in establishing and documenting a system of internal risk management controls under Rule 240.15c3-4 and the results of periodic review conducted pursuant to Rule 15c3-4(d).	3 years (of which, 2 years must be in an accessible place)
17a-4(b)(13)	The written policies and procedures a BD establishes, documents, and enforces to assess creditworthiness.	3 years (of which, 2 years must be in an accessible place)
17a-4(e)(6)	Each report which a securities regulatory authority has requested or required the BD to make and furnish to it pursuant to an order or settlement, and each securities regulatory authority examination report.	3 years after the date on the report
17a-4(e)(7)	All compliance, supervisory, and procedures manuals, including any updates, modifications, and revisions to the manual, describing the policies and practices of the BD with respect to compliance with applicable laws and rules, and supervision of associated persons of the BD.	3 years from termination of the use of the manual
17a-4(e)(8)	All reports produced to review for unusual activity in customer accounts.	18 months after the date the report was generated

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ENDNOTES

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- ¹ 15 U.S.C.S. § 78q(a)
- ² National Securities Markets Improvement Act of 1996 (NSMIA), 1996 Enacted H.R. 3005, 104 Enacted H.R. 3005, 110 Stat. 3416
- ³ 17 C.F.R. § 240.17a-3
- ⁴ 17 C.F.R. § 240.17a-4
- ⁵ VanCook v. SEC, 653 F.3d 130, 142 (8th Cir. 2011); In the Matter of Wall Street Access, SEC Release No. 34-54596 (Oct. 12, 2006), available at: <http://www.sec.gov/litigation/admin/2006/33-8749a.pdf>.
- ⁶ 15 U.S.C. § 78t(e)
- ⁷ VanCook, 653 F.3d at 142; SEC v. Shanahan, 646 F.3d 536, 547 (8th Cir. 2011)
- ⁸ SEC Release No. 34-47806 (May 7, 2003).
- ⁹ Exchange Act Rule 17a-4(f)(2)(ii)(A).
- ¹⁰ Exchange Act Rule 17a-4(f)(2)(ii).
- ¹¹ SEC Release No. 34-47806 (May 7, 2003).
- ¹² Rule 17 a-4(b)(4); see also FINRA Rule 2210; FINRA Rule 4511.
- ¹³ SEC Release No. 34-51200 (Feb. 14, 2005); see also Reporting Requirements for Brokers or Dealers under the Securities Exchange Act 1934, SEC Release No. 34-38245 (Feb. 5, 1997).
- ¹⁴ FINRA Regulatory Notice No. 10-06 (Jan. 25, 2010).
- ¹⁵ FINRA Rule 2210(b)(4).
- ¹⁶ FINRA Rule 2210(b)(4)(B).
- ¹⁷ FINRA Rule 3110(a).
- ¹⁸ FINRA Rule 3100, Supplementary Material 07.
- ¹⁹ FINRA Regulatory Notice 14-10, <http://www.finra.org/sites/default/files/NoticeDocument/p465940.pdf>.
- ²⁰ Exchange Act Rules 17a-3(a)(18) and 17a-4(b)(1).
- ²¹ 17 C.F.R. § 240.17a-5
- ²² 17 C.F.R. § 240.15c3-1
- ²³ Touche Ross & Co., 442 U.S. at 570.
- ²⁴ SEC Release No. 34-70073 (July 30, 2013).

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